

**SOUTHERN SUN HOTELS (TANZANIA) LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

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# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## General Information

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<b>Country of incorporation and domicile</b>	United Republic of Tanzania
<b>Nature of business and principal activities</b>	The Company operates as a hotel under two major segments namely accomodation and restaurant.
<b>Directors</b>	Samuel Mapande Lynton Delaney Daudi Kassone
<b>Business address</b>	Garden Avenue Plot 217-220 Dar es salaam, Tanzania
<b>Holding company</b>	Southern Sun Africa incorporated in Mauritius
<b>Ultimate holding company</b>	Southern Sun Limited
<b>Bankers</b>	Exim Bank Tanzania Limited Stanbic Bank Tanzania Limited
<b>Auditor</b>	PricewaterhouseCoopers Certified public accountant Pemba house, 369 Toure drive Oysterbay P.O. Box 45 Dar es Salaam, Tanzania
<b>Secretary</b>	Xaveria Benigna Tharsis Hyera

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## The Report by those Charged with Governance

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The Directors submit their report together with the audited financial statements for the year ended 31 March 2023, which disclose the state of affairs of Southern Sun Hotels (Tanzania) Limited ("the Company").

### 1. INCORPORATION

The Company is incorporated in Tanzania under The Company Act, No.12 of 2002 and is certified to operate its business as private limited liability company.

### 2. COMPANY'S VISION

The Company's vision is to be the leader in the hospitality industry primarily in hotel service and occupancy.

### 3. COMPANY'S MISSION

The Company's mission is to manage the activities of Southern Sun Hotel in Dar es Salaam in line with the expectations of its stakeholders.

### 4. PRINCIPAL ACTIVITIES

The Company's principal activities are to operate a hotel. The Company operates under two major segments namely accommodation and restaurants.

### 5. DIRECTORS

The Directors in office at the date of this report are as follows:

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Remarks</u>
Samuel Mapande	Chairman	Tanzanian	
Lynton Delaney	Director	South African	
Daudi Kassone	Director	Tanzanian	Appointed on 1 September 2022

In accordance with the Company's Articles of Association, the Directors are not required to retire by rotation. Both Directors are non-executive.

Mr. Samuel Mapande has a direct interest in the issued and fully paid up shares of the Company as indicated in the company's shareholding structure.

The Company secretary as at the date of this report, who served throughout the year was Xaveria Benigna Tharsis Hyera.

### 6. COMPANY SHAREHOLDING

	Number of Shares	Percentage of holding
Southern Sun Africa	1,039	99.99
Samuel Mapande	1	1.01
	<u>1,040</u>	<u>100%</u>

### 7. RELATED PARTY TRANSACTIONS

Detail of transactions and balances with related parties are disclosed in Note 19 to the financial statements.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## The Report by those Charged with Governance

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### 8. CORPORATE GOVERNANCE

The Board of Directors consists of three Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that;

- (i) a comprehensive system of internal control policies and procedures is operative; and
- (ii) for compliance with sound corporate governance principles.

The Board is required to meet at least once a year. The Board delegates the day to day management of the business to the General Manager assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium communication and coordination between all the various business units. The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. The Board met once during the year ended 31 March 2023.

### 9. OPERATING AND FINANCIAL REVIEW

During the entire year, the hotel did not operate due to COVID-19 pandemic. Therefore, no revenue generated.

The Board manages the performance of the Company through the following key indicators:

	<u>2023</u>	<u>2022</u>
Current ratio (excluding borrowing from shareholders)	0.9	1

### 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- the effectiveness and efficiency of operations;
- the safeguarding of the Company's assets;
- compliance with applicable laws and regulations;
- the reliability of accounting records;
- business sustainability under normal as well as adverse conditions; and
- responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the year and is of the opinion that they met the accepted criteria.

The group internal auditors (GRIPP Advisory) and risk department conduct internal audit and risk reviews respectively, to determine the compliance to Southern Sun Hotels' standard policies and procedures. There was no audit performed in the current year.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## The Report by those Charged with Governance

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### 11. EMPLOYEES WELFARE

#### Management and Employees' Relationship

The relationship between employees and management continued to be cordial in the year ended 31 March 2023. There were no significant unresolved complaints received by Management from the employees during the year.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

#### Medical Assistance

All employees and their dependants (a maximum number of three dependants) for each employee, were availed medical services provided by AAR Insurance Tanzania Limited.

#### Health and Safety

Employee's health and safety is of paramount importance. The Company adheres to the Occupational Health and Safety Act of Tanzania as well as the Southern Sun's group requirements by providing required safety equipment to employees.

#### Financial assistance to staff

The Company has been encouraging and facilitating employees to obtain unsecured loans from different banks and financial institutions dependent on employees' needs.

#### Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitude and competence of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employees benefit plan

The Company pays contributions to a publicly administered pension plan on a mandatory basis which qualifies to be a defined contribution plan. The Company is registered with National Social Security Fund (NSSF).

### 12. GENDER PARITY

As at 31 March 2023, the Company had 8 permanent employees, all were male. (2022: 8 employees all were male).

### 13. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, taking into account the ongoing financial support from the majority shareholder, Southern Sun Africa.

### 14. POLITICAL AND CHARITABLE DONATION

The Company did not make any political and charitable donations during the year ended 31 March 2023.

### 15. CORPORATE SOCIAL RESPONSIBILITY

The Company is determined with its principle of corporate social responsibility and has committed itself to active participation in environment protection and promotion of socio-economic development of the society through extension of financial support towards implementation of community development projects.

There were no active corporate social responsibility programmes implemented during the year under review other than donations to charitable organisations.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## The Report by those Charged with Governance

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### 16. DIVIDENDS

The Directors do not recommend the declaration of a dividend for the year ended 31 March 2023 (2022: Nil).

### 17. AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors of the Company for year 2024 will be put to the Annual General Meeting.

### 18. COMPLIANCE STATEMENT

Those charged with governance confirm compliance of the report with the provision of Tanzania Financial Reporting Standards 1 (TFRS 1) and all other statutory legislations relevant to the entity.

By Order of the Board



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Lynton Delaney  
Director

25/08/2023

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Date

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Statement of Directors' Responsibilities

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The Companies Act, No.12 of 2002 requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss in accordance with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The going concern basis of preparing financial statements has been adopted in line with explanations provided in accounting policy 1.3 to the financial statements.

Signed on behalf of the Board of Directors By:



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Lynton Delaney  
Director

25/08/2023

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Date

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Declaration of The Head of Finance

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The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act, No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on page 7.

I, Daudi Kassone being the Head of Finance of Southern Sun Hotels (Tanzania) Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 March 2023 have been prepared in compliance with International Financial Reporting Standard (IFRS) and the requirements of companies Act, No. 12 of 2002.

I thus confirm that the financial statements give a true and fair view position of Southern Sun Hotels (Tanzania) Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by:



Name: Daudi Kassone  
Position: Head of Finance  
NBAA Membership No: 001844

Date: 25/08/2023

## *Independent auditor's report*

To the Shareholders of Southern Sun Hotels (Tanzania) Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Southern Sun Hotels (Tanzania) Limited (the Company) as at 31 March 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

#### **What we have audited**

The financial statements of Southern Sun Hotels (Tanzania) Limited as set out on pages 12 to 32 comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- accounting policies; and
- the notes to the financial statements and other explanatory information.

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#### *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 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

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#### *Other information*

The Directors are responsible for the other information. The other information comprises of General information, the report by those charged with governance, Statement of Directors' responsibilities and Declaration of the head of finance but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.

## *Independent auditor's report*

To the Shareholders of Southern Sun Hotels (Tanzania) Limited

### *Report on the audit of the financial statements (Continued)*

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#### *Responsibilities of the Directors for the financial statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

The Directors are responsible for overseeing the financial reporting process.

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#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 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 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 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 financial statements, including the disclosures, and whether the 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.

## *Independent auditor's report*

To the Shareholders of Southern Sun Hotels (Tanzania) Limited

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### *Report on other legal and regulatory requirements*

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

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Patrick Kiambi, TACPA-PP

**For and on behalf of PricewaterhouseCoopers**  
Certified Public Accountants  
Dar es Salaam

Date 25 August 2023

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 TZS '000	2022 TZS '000
Operating expenses	4	(2,681,516)	(2,611,999)
<b>Operating loss</b>		<b>(2,681,516)</b>	<b>(2,611,999)</b>
Finance (cost)/income	6	(551,389)	31,557
<b>Loss before taxation</b>		<b>(3,232,905)</b>	<b>(2,580,442)</b>
Income tax charge	7	(1,733)	(158)
<b>Loss for the year</b>		<b>(3,234,638)</b>	<b>(2,580,600)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(3,234,638)</b>	<b>(2,580,600)</b>

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Statement of Financial Position as at 31 March 2023

	Note(s)	2023 TZS '000	2022 TZS '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property and equipment	8	10,844,604	11,781,183
Other operating equipment	9	457,350	506,419
Right of use asset	10	161,324	180,119
		<b>11,463,278</b>	<b>12,467,721</b>
<b>Current Assets</b>			
Trade and other receivables	12	877,129	743,346
Current tax receivable	18	83,720	85,453
Cash and cash equivalents	17	279,568	220,199
		<b>1,240,417</b>	<b>1,048,998</b>
<b>Total Assets</b>		<b>12,703,695</b>	<b>13,516,719</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	13	104,000	104,000
Accumulated loss		(13,999,336)	(10,764,698)
		<b>(13,895,336)</b>	<b>(10,660,698)</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	1,316,474	1,050,792
Borrowings	14	25,282,557	23,126,625
		<b>26,599,031</b>	<b>24,177,417</b>
<b>Total Equity and Liabilities</b>		<b>12,703,695</b>	<b>13,516,719</b>

The report and financial statements were approved by the board of directors and were signed on its behalf by:



Lynton Delaney  
Director

Date

25/08/2023

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Statement of Changes in Equity

	Share capital	Accumulated loss	Total equity
	TZS '000	TZS '000	TZS '000
<b>Balance at 01 April 2021</b>	<b>104,000</b>	<b>(8,184,098)</b>	<b>(8,080,098)</b>
Loss for the year	-	(2,580,600)	(2,580,600)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(2,580,600)</b>	<b>(2,580,600)</b>
<b>Balance at 01 April 2022</b>	<b>104,000</b>	<b>(10,764,698)</b>	<b>(10,660,698)</b>
Loss for the year	-	(3,234,638)	(3,234,638)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(3,234,638)</b>	<b>(3,234,638)</b>
<b>Balance at 31 March 2023</b>	<b>104,000</b>	<b>(13,999,336)</b>	<b>(13,895,336)</b>

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Statement of Cash Flows

	Note(s)	2023 TZS '000	2022 TZS '000
<b>Cash flows from operating activities</b>			
Cash used in operations	16	(1,516,337)	(1,980,052)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	8	(13,994)	-
<b>Cash flows from financing activities</b>			
Proceeds from loan	14	1,589,700	1,736,030
<b>Net cash generated from financing activities</b>		<b>1,589,700</b>	<b>1,736,030</b>
<b>Total cash movement for the year</b>		<b>59,369</b>	<b>(244,022)</b>
Cash and cash equivalent at the start of the year		220,199	464,221
<b>Total cash at end of the year</b>	17	<b>279,568</b>	<b>220,199</b>

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRIC) interpretations. The measurement basis applied is the historical cost basis except as otherwise explained in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### 1.2 Changes in accounting policy and disclosures

##### *i) New and amended standards adopted by the Company*

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

##### **Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use**

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

##### **Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity**

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

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

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

##### **Annual improvements cycle 2018 -2020**

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.2 Changes in accounting policy and disclosures (continued)

#### *i) New and amended standards adopted by the Company (continued)*

##### **Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract**

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

#### *(ii) New standards, amendments and interpretations not yet effective*

The following are new standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted but are relevant to the Company

##### **IFRS 17, Insurance contracts Amendments**

In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

Annual periods beginning on or after 1 January 2023

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

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Annual periods beginning on or after 1 January 2023

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

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Annual periods beginning on or after 1 January 2023

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

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Annual periods beginning on or after 1 January 2023

### 1.3 Going concern

The financial statements have been prepared on a going concern basis having regard to the continuity of the parent company financial support that will be required by the Company in the foreseeable future in the form of funding for capital expenditure and working capital. Significantly higher levels of financial support from the parent company will be required for the year ending on 31 March 2024. This support has been formally confirmed by Southern Sun Africa, the intermediary holding company.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.4 Income

Income comprises revenue from contracts with customers and other income:

#### *(i) Revenue from contracts with customers*

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

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

#### *(ii) Other income*

##### Property rental income

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

### 1.5 Foreign currency translation

#### *i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzanian Shilling ("TZS") which is the Company's functional and presentation currency.

#### *ii) Transactions and balances*

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the statement of financial position date, which are expressed in foreign currencies, are translated into Tanzanian Shillings at the rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.6 Property and equipment

Property and equipment are stated at historical cost less depreciation and accumulated impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. The cost of Work in progress includes the borrowing costs for long term construction projects if the recognition criteria are met.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Hotel Building	2% to 20%
Furniture, fittings and equipment	7% to 20%
Motor vehicles	20%
Computer hardware and software	20% to 33%

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

### 1.7 Leases

Company as lessee

#### Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Right-of-use assets are measured at cost comprising the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The right-of-use asset was derived from prepaid leases.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.8 Other operating equipment

Other operating equipment is recorded at cost and represents the value of inventory of operating equipment existing at the period end. All damages and other equipment losses are written off in statement of profit or loss.

### 1.9 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 1.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12 for further information about the Company's accounting for trade receivables and note 2(b) for a description of the Company's impairment policies.

#### Fair Value of Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company impairment policies and the calculation of the loss allowance are provided in note 2(b).

### 1.11 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.

### 1.12 Income Tax

Income tax expense is the aggregate of the charge to the statement of profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004. Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the year-end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that the Directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised as income tax benefit or expense in the year in which it arises. Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

### 1.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.14 Impairment of non-financial assets

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

### 1.15 Borrowings and finance cost

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

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

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

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (note 14), are recognised in the income statement in the period in which they are incurred.

### 1.16 Financial instruments

All financial instruments are initially recognised at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. Financial instruments are recognised when the Company becomes a party to the contractual arrangements. All regular way transactions are accounted for on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. In the current year, the Company has adopted IFRS 9 and all financial assets and liabilities were classified at amortised cost whereas under IFRS 39 the Company classified its financial instruments as 'loans and receivables' and financial liabilities at amortised cost.

#### Classification and measurement under IFRS 9

Trade and other receivables and bank balances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI or FVTPL. The classification depends on the business model applied and the cash flow characteristics of an asset.

**Business model:** The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for assets include past experience on how the cash flows of these assets were collected, how the performance of the assets is evaluated and reported to key management personnel, the risks that affect the performance of the business model (and the financial assets within) and in particular, the way that those risks are managed; and how assets managers are compensated.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Accounting Policies

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### 1.16 Financial instruments (continued)

**Cash flow characteristic of the asset:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, The Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

### 1.17 Trade and other payables

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

### 1.18 Employee benefits

#### Retirement benefit obligation

The Company operates defined contribution retirement benefit schemes for all its employees. The Company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes.

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

The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

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### 2. Financial risk management objectives and policies

#### Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate 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 its financial performance. The Company does not hedge any of its risk exposures. Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

#### (a) Market risk

##### (i) Foreign exchange risk

The Company imports guest supplies and operating equipment and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar (US Dollar). Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of imported supplies and equipment. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 March 2023, if the Tanzanian Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been TZS 1.8 billion (2022: TZS 1.6 billion) higher/ lower, mainly as a result of US Dollar denominated trade payables, bank balances and borrowings.

##### (ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Company regularly monitors financing options available to ensure optimum interest rates are obtained. During the year, there were no borrowings bearing interest, therefore, interest risk considered minimal.

#### (b) Credit risk

Credit risk arises from bank balances and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk exposure to the Company is minimised by the fact that majority of sales are in cash. Where credit facility is provided, the customer's credit worthiness is assessed before being granted approval from the General Manager. Individual credit limits are set in accordance with guidelines set by the Board. Sales to retail customers are settled in cash or using major credit cards.

For banks and financial institutions, only reputable well-established financial institutions, are accepted. The Company does not grade the credit quality of receivables. The utilisation of credit limits is regularly monitored. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

### 2. Financial risk management objectives and policies (continued)

#### Financial risk management (continued)

##### (b) Credit risk (continued)

##### Expected credit losses

For trade and other receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

On that basis, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows for trade receivables:

As at 31 March 2023	Not due TZS'000	0 - 30 days TZS'000	>30 - 60 days TZS'000	>60 - 90 days TZS'000	>90 days TZS'000	Total Due TZS'000
Trade receivables	-	-	-	-	3,294	3,294
IFRS 9 loss rate	-	-	-	-	100.00%	
Loss allowance	-	-	-	-	(3,294)	(3,294)
<b>As at 31 March 2022</b>	<b>Not due TZS'000</b>	<b>0 - 30 days TZS'000</b>	<b>&gt;30 - 60 days TZS'000</b>	<b>&gt;60 - 90 days TZS'000</b>	<b>&gt;90 days TZS'000</b>	<b>Total Due TZS'000</b>
Trade receivables	-	-	-	-	3,294	3,294
IFRS 9 loss rate	-	-	-	-	100.00%	
Loss allowance	-	-	-	-	(3,294)	(3,294)
<b>Cash at bank</b>					<b>2023 TZS'000</b>	<b>2022 TZS'000</b>
Stanbic Bank Tanzania Limited					82	80
ABSA Bank Tanzania Limited					-	2,856
Exim Bank Tanzania Limited					274,486	-
First National Bank Tanzania Limited					-	212,263
<b>Total cash at Bank (Notes 17)</b>					<b>274,568</b>	<b>215,199</b>

The maximum exposure to credit risk as at 31 March 2023 is the carrying value of the financial assets.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

### 2. Financial risk management objectives and policies (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines. Management perform cash flow forecasting and monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

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 statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. The maturity analysis applies to financial instruments only and therefore non-financial liabilities are not included.

At 31 March 2023	Between 3 months and 1 year TZS'000'	Total TZS'000'
Borrowings	25,282,557	25,282,557
Trade and other payables (excluding statutory obligations)	1,316,064	1,316,064
	<u>26,598,621</u>	<u>26,598,621</u>

At 31 March 2022	Between 3 months and 1 year TZS'000'	Total TZS'000'
Borrowings	23,126,625	23,126,625
Trade and other payables (excluding statutory obligations)	1,046,840	1,046,840
	<u>24,173,465</u>	<u>24,173,465</u>

#### (d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	2023 TZS'000	2022 TZS'000
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The gearing ratio at 2023 and 2022 respectively were as follows:

Loans from shareholders	14	25,282,557	23,126,625
Cash and cash equivalents	17	(279,568)	(220,199)
Net debt		<u>25,002,989</u>	<u>22,906,426</u>
Total equity		<u>(13,895,336)</u>	<u>(10,660,698)</u>
Total capital		<u>11,107,653</u>	<u>12,245,728</u>
Gearing ratio		225 %	187 %

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

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### 3. Critical accounting estimates and assumptions

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

#### 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 addressed below;

#### Property and equipment

Critical estimates are made by the Directors in determining depreciation rates for property and equipment and their residual values. The rates used are set out in note 1.6.

Critical assumptions were also applied by Directors in estimating residual value of building shell of the hotel building based on building fair value and ageing factor.

#### Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company has made a tax loss for the year ended 31 March 2023, hence the deferred tax asset has not been recognised due to uncertainty of availability of future taxable profits against which deductible temporary differences and tax losses could be utilised.

#### Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

For the lease's contracts, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there was no any revision of lease terms.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

	2023 TZS'000	2022 TZS'000
<b>4. Expenses by nature</b>		
Food, beverage and consumable expenses	278	2,125
Rooms and consumables expenses	232	2,125
Heat, light and power	84,477	118,807
Marketing expenses	-	30
Repairs and maintenance	187,479	256,009
Employee benefits expenses (Note 5)	1,052,338	392,218
Depreciation on property and equipment (Note 8)	950,573	984,648
Amortisation of right of use asset (Note 10)	18,795	18,795
Other expenses	387,344	837,242
	<b>2,681,516</b>	<b>2,611,999</b>
<b>5. Employee benefits expense</b>		
The following items are included within employee benefit expense:		
Salaries and wages, including other benefits	628,629	349,170
Retirement benefit - NSSF contributions	59,081	36,337
Other statutory payroll remittances	364,628	6,711
	<b>1,052,338</b>	<b>392,218</b>
<b>6. Finance cost/(income)</b>		
Net foreign exchange loss/(gain)	551,389	(31,557)
<b>7. Income tax</b>		
<b>Major components of the tax income</b>		
<b>Current</b>		
- current year	(1,733)	(158)
<b>Reconciliation of the tax expense</b>		
The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Loss before income tax	(3,232,905)	(2,580,442)
Tax at the applicable tax rate of 30% (2022: 30%)	(969,873)	(774,133)
<b>Tax effect of adjustments on taxable income</b>		
- Deferred income tax asset not recognized (current year) (Note 11)	970,097	753,856
- Depreciation on non-qualifying assets	-	20,277
- Alternative Minimum Tax	(1,733)	(158)
- Other adjustments	(227)	-
- Expenditure permanently disallowed	3	-
<b>Income tax charge</b>	<b>(1,733)</b>	<b>(158)</b>

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

2023  
TZS'000

2022  
TZS'000

### 8. Property and equipment

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	12,420,329	(3,708,149)	8,712,180	12,420,329	(3,351,250)	9,069,079
Motor vehicles	65,100	(65,100)	-	65,100	(65,100)	-
Computer and other Equipment	5,150,620	(3,757,189)	1,393,431	5,136,626	(3,473,260)	1,663,366
Furniture, fittings and equipment	3,409,876	(2,670,883)	738,993	3,409,876	(2,361,138)	1,048,738
<b>Total</b>	<b>21,045,925</b>	<b>(10,201,321)</b>	<b>10,844,604</b>	<b>21,031,931</b>	<b>(9,250,748)</b>	<b>11,781,183</b>

#### Reconciliation of property and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Buildings	9,069,079	-	(356,899)	8,712,180
Computer and other equipment	1,663,366	13,994	(283,929)	1,393,431
Furniture and fixtures	1,048,738	-	(309,745)	738,993
	<b>11,781,183</b>	<b>13,994</b>	<b>(950,573)</b>	<b>10,844,604</b>

#### Reconciliation of property and equipment - 2022

	Opening balance	Depreciation	Total
Buildings	9,436,828	(367,749)	9,069,079
Computer and other equipment	1,939,411	(276,045)	1,663,366
Furniture and fixtures	1,389,592	(340,854)	1,048,738
	<b>12,765,831</b>	<b>(984,648)</b>	<b>11,781,183</b>

### 9. Other operating equipment

#### Reconciliation of other operating equipment - 2023

	Opening balance	Write off	Total
Other operating equipment	506,419	(49,069)	457,350

#### Reconciliation of other operating equipment - 2022

	Opening balance	Write off	Total
Other operating equipment	518,121	(11,702)	506,419

Other operating equipment represents the cost of hotel operating inventory existing at the year-end.

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

	2023 TZS'000	2022 TZS'000		
<b>10. Right of use asset</b>				
<b>Cost</b>				
At beginning of the year	236,504	236,504		
Additions	-	-		
Additions through business combinations	-	-		
<b>At end of the year</b>	<b>236,504</b>	<b>236,504</b>		
<b>Accumulated amortisation</b>				
Accumulated amortisation	-	37,590		
	(75,180)	18,795		
<b>Carrying value</b>	<b>(75,180)</b>	<b>(56,385)</b>		
<b>Accumulated amortisation</b>				
At beginning of the year	(56,385)	(37,590)		
Charge for the year	(18,795)	(18,795)		
<b>At end of the year</b>	<b>(75,180)</b>	<b>(56,385)</b>		
Carrying value	161,324	180,119		
<b>11. Deferred tax</b>				
	01 April 2022	Movement relating to prior year	Movement during the year	31 March 2023
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Deferred income tax liability</b>				
Property and equipment	1,634,093	241,702	(122,934)	1,752,861
<b>Deferred income tax assets</b>				
Tax losses carried forward	(3,898,409)	236,580	(504,521)	(4,166,350)
Other temporary differences	(1,379,986)	-	(342,642)	(1,722,628)
<b>Net deferred tax asset</b>	<b>(3,644,302)</b>	<b>478,282</b>	<b>(970,097)</b>	<b>(4,136,117)</b>
	01 April 2021	Movement during the year	31 March 2022	
	TZS'000	TZS'000	TZS'000	
<b>Deferred income tax liability</b>				
Property and equipment	1,647,384	(13,291)	1,634,093	
<b>Deferred income tax assets</b>				
Tax losses carried forward	(3,132,264)	(766,145)	(3,898,409)	
Other temporary differences	(1,405,566)	25,580	(1,379,986)	
<b>Net deferred tax asset</b>	<b>(2,890,446)</b>	<b>(753,856)</b>	<b>(3,644,302)</b>	

No provision has been made for the deferred income tax asset because it is not expected that the Company will have taxable profits in the foreseeable future against which the temporary differences and tax losses can be utilized. The Company has unrecognised deferred income tax asset of TZS 4,136 million (2022: TZS 3,644 million).

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

	2023 TZS'000	2022 TZS'000
<b>12. Trade and other receivables</b>		
Trade receivables	3,294	3,294
Loss allowance	(3,294)	(3,294)
Prepayments	131,343	134,819
Staff debtors	-	2,000
VAT	495,786	356,527
Other receivables	250,000	250,000
	<b>877,129</b>	<b>743,346</b>

The carrying values of trade and other receivables approximate their fair values due to the short term nature of trade and other receivables. As at 31 March 2023, trade receivables of TZS 3 million (2022: TZS 3 million) were impaired and provided for.

### 13. Share capital

#### Authorised

52,000 ordinary shares of TZS 100,000 each	5,200,000	5,200,000
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#### Issued and fully paid

1,040 ordinary shares of TZS 100,000 each	104,000	104,000
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The total authorised number of ordinary shares are 52,000 with a par value of TZS 100,000 per share of which 1,040 have been issued. All issued shares are fully paid. Describe rights, preference or restrictions on distribution and capital re-payments of shares.

### 14. Borrowings

Shareholders' loans	(25,282,557)	(23,126,625)
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The loan amount is denominated in United States Dollars. Part of the loan amount is unsecured, interest free and repayable on demand. This loan was initially taken at the time of setting up the Company in 2001.

The remaining part used to be interest bearing. This portion was extended on 19 November 2015 and totaled US\$ 3,250,000 (TZS 7,492,875,000) at the time of extension. In the year 2020, the interest-bearing portion of the loan was revised to an interest free loan. Interest at a fixed margin of 2.5% plus 90 days LIBOR rate was used to be charged in the prior years before that change.

The movement on the shareholders' loan is as follows:

At start of the year	23,126,625	21,422,332
Additions	1,589,700	1,736,030
Unrealised exchange loss/(gain)	566,232	(31,737)
<b>At end of year</b>	<b>25,282,557</b>	<b>23,126,625</b>

The borrowings above are divided into:

Interest free portion	25,282,557	23,126,625
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# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

	2023 TZS'000	2022 TZS'000
<b>15. Trade and other payables</b>		
Trade payables	74,961	208,820
Payables to related parties (Note 19)	189,341	173,651
Accrual and provisions	1,018,122	479,357
Other payables	33,640	185,012
Withholding tax	410	3,952
	<b>1,316,474</b>	<b>1,050,792</b>
<b>16. Cash generated from operations</b>		
Loss before tax	(3,232,905)	(2,580,442)
<b>Adjustments for:</b>		
Depreciation and amortisation (Note 8 & 10)	969,368	1,003,443
Unrealised exchange loss/(gain) on borrowings	566,232	(31,737)
Write-off of other operating equipment (Note 9)	49,069	11,702
<b>Changes in working capital:</b>		
Decrease in trade and other receivables	(133,783)	(207,496)
Decrease in trade and other payables	265,682	(175,522)
	<b>(1,516,337)</b>	<b>(1,980,052)</b>
<b>17. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash at bank	274,568	215,199
Cash in hand	5,000	5,000
	<b>279,568</b>	<b>220,199</b>
<b>18. Tax paid</b>		
Balance at beginning of the year	85,453	85,611
Current tax for the year recognised in profit or loss	(1,733)	(158)
Balance at end of the year	(83,720)	(85,453)
	<b>-</b>	<b>-</b>

# SOUTHERN SUN HOTELS (TANZANIA) LIMITED

Report and Financial Statements for the year ended 31 March 2023

## Notes to the Financial Statements

	2023	2022
	TZS'000	TZS'000

### 19. Related party transactions and balances

The Company is a wholly owned subsidiary of Southern Sun Africa with the ultimate holding company being Southern Sun Limited, incorporated in South Africa. There are other companies related to Southern Sun Hotels (Tanzania) Limited through common shareholdings or common directorships. The following transactions were carried out with related parties:

#### Related party transactions

##### Key management compensation

Salaries and other short-term benefits	466,349	167,363
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#### Related party balances

##### (i) Payable to related parties (Note 15)

Southern Sun Africa - parent company	71,840	70,400
Southern Sun Hotels Interest Pty Limited	117,501	103,251
	<u>189,341</u>	<u>173,651</u>

##### (ii) Loan payable to related parties (Note 14)

Southern Sun Africa - parent company	25,282,557	23,126,625
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##### (iii) Letter of support - Southern Sun Africa (parent company)

Southern Sun Africa will continue to provide financial support as may be necessary in order to enable Southern Sun Hotels Tanzania Limited to meet all financial obligations as and when they fall due for the foreseeable future and in any event, at least the next 12 months from the date of issuing the audit report.

### 20. Capital commitments

As at 31 March 2023 the Company had no capital commitments (2022: Nil).

### 21. Tax contingent liabilities

The Company is disputing Tanzania Revenue Authority (TRA) assessment for the year of income 2015 and 2016 relating to Corporate Income Tax (CIT). The amount of adjustment on loss before tax (as a result of change in management fees) in dispute or objections is TZS 316 million and TZS 363 million respectively. Judgment was delivered by Tax Revenue Appeals Board (TRAB) on 2 January 2023 in favour of Southern Sun Hotels (Tanzania) Limited. TRA has filed a notice of intention to appeal at the Tax Revenue Appeals Tribunal (TRAT).

The Company is disputing TRA assessment for the year of income 2009 relating to Value Added Tax (VAT). The total VAT liability exposure is TZS 1.1 billion. Appeal was lodged on 23 September 2022. TRA filed a Reply to Statement of Appeal on 5 October 2022. Parties are awaiting notice of hearing from the TRAT.

In respect of the foregoing, the Directors have assessed that there are no probable obligations to be paid and accordingly, disclosed these as contingent liabilities.

### 22. Subsequent events

There are no matters or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Company and results of its operations.