Southern Sun

2022

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

Tsogo Sun Hotels Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/006356/06)
Share code: TGO ISIN: ZAE000272522
(the company or the group)

Commentary

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

The banning of alcohol sales as well as domestic leisure travel to and from Gauteng, fuelled by a general fear among travellers of contracting the highly contagious Delta variant, negatively impacted trading in all regions, setting the group's recovery back significantly. A further setback was the violent protests and civil unrest in both Gauteng, but most materially for the group, in KwaZulu-Natal (KZN). The KZN region, and specifically Durban, had been the group's best performing region throughout the pandemic and the impact of the violence on the confidence of travellers was pronounced with system-wide room sales dropping to 55 280 in July 2021, or 21% of pre-Covid levels. The group suffered no property damage as a result of the riots in KZN and Gauteng; however, the negative impact on sentiment meant that the recovery in the corporate and international travel markets was further delayed.

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

As the third wave subsided and restrictions were relaxed, trading activity increased during the second half of the year, with the group averaging 60% of pre-Covid system-wide room sales (refer table 1), due to support from the government, sports, groups and conferencing, and domestic leisure segments. This momentum was interrupted by the fourth wave of Covid-19 infections caused by the Omicron variant which resulted in South Africa again being placed on the United Kingdom's red list on 26 November 2021 followed by other countries implementing travel restrictions on South Africa. Despite being removed from the red list relatively quickly, the damage to foreign inbound travel (FIT) for the summer season had been done. Thanks to South Africans being unable to travel abroad, the negative impact on December trading levels, particularly in the Western Cape, was less pronounced with international leisure travel being replaced by domestic leisure travel to some extent.

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

Contributing to this fourth quarter performance was strong support from government groups and various union elective conferences. In addition, various sporting events as well as buoyant domestic leisure travel over the public holidays in

Southern Sun's key differentiator in South Africa is its wide distribution of quality hotel products

March, boosted results. The group generated Ebitdar (Earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustment, long-term incentives and exceptional items) of R445 million (75% of total group Ebitdar) and cash flow of R180 million (69% of total cash flow) during the second half of the year, reducing the group's net debt level to R2.8 billion (2021: R3.1 billion) for the year ended 31 March 2022.

Table 1: South African system-wide portfolio – trend in sale of rooms

Months	April	May	June	July	August	September	October	November	December	January	February	March
Total rooms – system-wide FY22	117 952	112 361	93 117	55 280	100 693	138 941	167 967	175 978	175 724	139 902	178 849	231 587
Total rooms – system-wide FY21	–	–	9 687	20 117	33 710	66 268	88 370	102 155	113 071	50 712	67 629	106 899
Total rooms – system-wide FY20	239 377	237 090	251 186	262 886	263 352	288 360	286 017	289 080	257 008	226 203	264 092	154 183
FY22 as % of FY20[1]	49	47	37	21	38	48	59	61	68	62	68	150

[1] *The appropriate comparative to assess the group's progress towards normalised trading levels is FY20 as this year reflects system-wide rooms sold pre-Covid.*

Review of operations

Total income for the year ended 31 March 2022 of R2.7 billion (2021: R1.2 billion) ended R1.5 billion above the prior year with a R1.0 billion and R462 million increase in hotel rooms' revenue and food and beverage revenue respectively. Other revenue decreased by R3 million to R246 million (2021: R249 million) and in the current year included revenue relating to contractual Covid-19-related revenue of R63 million (2021: R125 million relating to hotels used as quarantine and isolation facilities as well as sporting bio-bubbles). The group generated Ebitdar of R590 million (2021 Ebitdar loss: R177 million), a R767 million increase on the prior year and equating to an Ebitdar margin of 21.8%. Excluding insurance proceeds of R191 million received during the year, the group generated cash of R70 million at a 14.7% margin and 30.6% occupancy, highlighting the impact of the cost restructuring undertaken over the past two years.

Trading for the group's South African hotels for the 12 months recorded system-wide (including owned and managed hotels but excluding externally managed hotels) revenue per available room (RevPar) of R341 (2021: R132) due to a 19.5 percentage points (pp) increase in occupancies from the prior period to 32.7% (2021: 13.2%) and a 3.8% increase in average room rates to R1 044 (2021: R1 006). Occupancy for the current and comparative year is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not.

The ***management activities*** of the South African hotels, net of group corporate office costs, generated Ebitdar of R224 million (2021 loss: R27 million) for the year. This performance results from an R83 million increase in internal and external management fee income due to improved trading levels, insurance proceeds in the South African hotel division of R179 million and central office costs increases of R11 million.

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

The ***Trading income – HPF*** segment which reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel, generated revenue of R177 million (2021: R38 million) and Ebitdar losses of R7 million (2021 loss: R24 million) for the year ended 31 March 2022. FY21 results for the segment reflect six and five months' trading from October 2020 and November 2020, respectively. The performance of these hotels in FY22 reflects their location in the Cape Town and Sandton nodes and their reliance on the international and corporate segments which suffered under the Covid-19 restrictions during the third wave of infections but recovered in the second half of the year. At The Westin Cape Town, the recovery in the corporate and groups segments during February and March 2022 exceeded expectations and converted an Ebitdar loss of R17 million for the six months to September 2021, to a profit of R3 million for the year ended 31 March 2022. The Radisson Blu Gautrain Hotel which is largely dependent on corporate travel and small groups, recorded an Ebitdar loss of R10 million for the year ended 31 March 2022, managing to reduce its Ebitdar loss to R2 million in the second half of the FY22 year compared to an Ebitdar loss of R8 million for the six months to September 2021.

Overall, revenue generated by the ***internally managed*** South African hotel portfolio owned and leased by the group for the year was R2.1 billion (2021: R904 million). This includes revenue from the Sandton Consortium hotels of R215 million (2021: R87 million).

All regions performed well this year relative to the prior year, given the extended hard lockdowns between April and June 2020. Sporting and government events made a significant contribution during the year, with the ***KZN region*** generating revenue and Ebitdar of R595 million (2021: R244 million) and R124 million (2021 Ebitdar loss: R17 million) respectively, due to continued support from domestic leisure and government business as well as the National Indigenous Games Festival which was held in Durban during September 2021 as part of Heritage month.

Similarly, revenue and Ebitdar from the ***Cape region*** was R572 million (2021: R185 million) and R73 million (2021 Ebitdar loss: R75 million) respectively for the year, supported by accommodation provided to students left stranded by the fires in Cape Town during April 2021, the Cape Town leg of the Castle Lager Lions Series tour, the opening of Parliament as well as the Cricket SA T20 Tournament in February 2022.

The ***inland region*** was hard hit by the third wave of Covid-19 infections and the negative sentiment caused by the violent protests, particularly in Gauteng, following the ban on leisure travel from the province. Outlying hotels recovered as government activity increased over the second half of the year, while the Sandton node continued to struggle with little recovery in corporate travel. As a result, this region recorded revenue of R697 million (2021: R334 million) and Ebitdar of R13 million (2021 Ebitdar loss: R56 million) for the year to 31 March 2022.

The ***other segment*** which includes the timeshare and SUN1 portfolios, generated revenue of R236 million (2021: R141 million) and Ebitdar of R43 million (2021: R17 million). While the SUN1 portfolio continues to experience depressed occupancy levels due to its reliance on transient business travel, the Resorts portfolio has continued to perform well throughout the Covid-19 pandemic due to its leisure-focused offering, benefiting from domestic clientele.

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

Total revenue for the ***offshore*** division of hotels of R318 million (2021: R135 million) for the year largely relates to the Southern Sun Maputo, Mozambique which was the only owned hotel in the offshore portfolio that traded throughout the lockdown period; the Southern Sun Ikoyi, Nigeria which has benefited from domestic leisure and business travel in the region; and

Paradise Sun which received substantial demand for travel from the European market, as Covid-19 restrictions eased. Zambia is reliant on corporate travel from South Africa and given the restrictions on international travel over the year, trading at the Southern Sun Ridgeway has remained muted since its opening in September 2020, and in response, expenses have been tightly controlled. In the owned offshore portfolio only the Southern Sun Dar es Salaam, Tanzania remains closed with Paradise Sun, Seychelles and the StayEasy Maputo, Mozambique having opened their doors in July 2021 and September 2021 respectively in response to easing of travel restrictions by the hotels' source markets. The offshore division generated Ebitdar of R52 million (2021 loss: R22 million) which includes R12 million in insurance claims settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.

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

For the year ended 31 March	2022	2021
Occupancy (%)*	**30.6**	12.2
Average room rate (R)	**1 072**	1 019
RevPar (R)	**328**	124
Rooms available ('000)^	**5 008**	4 769
Rooms sold ('000)	**1 530**	582
Rooms revenue (Rm)	**1 641**	593

* *Occupancy for the current and prior periods is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not.*

^ *The increase in rooms available relates to the HPF investment properties transferred to property, plant and equipment during FY21 reflected as part of the group's owned portfolio for a full 12-month period as well as the take-on of the Garden Court Victoria Junction with effect from October 2021.*

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

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

Management has assessed the fair value of the group's investment properties and assessed goodwill and property, plant and equipment for impairment by reviewing the cash flow forecasts (refer to note 3.1 "Basis of preparation of cash flow forecasts"), which we believe still adequately reflect the impact of Covid-19 on cash flows generated by the underlying hotels for the financial years ending March 2023 and March 2024; as well as various technical inputs including the 10Y bond yield of 9.5% as at 31 March 2022 which has remained unchanged from the prior year. For further analysis, refer to notes 3 and 4.

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

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

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

Group adjusted headline losses for the year at R118 million (2021 loss: R633 million) has improved by R515 million. The adjustments include the reversal of the post-tax and non-controlling interest impacts of the exceptional gains noted above. The weighted average number of shares in issue increased as a result of the prior year acquisition of all Hospitality shares in issue in exchange for 417 million TGO shares and the resultant adjusted headline loss per share recorded is 8.0 cents (2021 loss: 51.4 cents).

Net cash generated from operations for the year of R280 million (utilised in 2021: R394 million) comprises profit before interest and income tax of R168 million (2021 loss: R656 million) adjusted for non-cash movements of R478 million (2021: R455 million), decreases in working capital of R19 million (2021 increase: R195 million), net finance costs of R338 million (2021: R346 million) and income tax paid of R9 million (2021: R42 million). Cash flows utilised in investment activities of R40 million (generated in 2021: R422 million) consisted mainly of capital expenditure of R48 million. Interest-bearing debt net of cash at 31 March 2022 totalled R2.8 billion, which is R239 million less than the 31 March 2021 balance of R3.1 billion.

Funding capacity and covenants

The group's liquidity and access to facilities are of paramount importance and, as previously reported, revised covenants were introduced at company level which establishes a maximum rolling 12-month negative Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items) level. In addition, a minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. During the year under review, these covenants were measured quarterly and the company comfortably met the minimum Ebitda and liquidity thresholds on all occasions. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand during the prior year. Similarly, Hospitality has met these minimum liquidity requirements.

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

In order to assess asset fair values, property, plant and equipment and goodwill impairments, as well as the group's ability to continue as a going concern, management prepared detailed five-year cash flow forecasts (for further detail refer to note 3.1.2 "Basis of preparation of cash flow forecasts" as well as the note 12 "Going concern" section). Based on the current improved trading levels and the forecasts that indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, once the fifth wave of Covid-19 infections has passed, management believes that the company should meet these revised covenant levels.

The group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements are met and that the group can meet its obligations as they become due. In HPF, Note 11, maturing on 31 March 2023 (R600 million), was replaced with Note 14 on the same terms and conditions maturing on 31 March 2024. In addition, a term loan (R500 million fully utilised facility maturing on 31 August 2022) and an RCF facility (R500 million facility maturing on 19 December 2022 of which R200 million was utilised at 31 March 2022) were extended on the same terms and conditions to 31 August 2023 and 19 December 2023, respectively. The company extended its R600 million facility, of which R200 million was utilised at 31 March 2022, on the same terms and conditions to 30 June 2023. Terms have also been agreed with lenders to refinance the US$2 million Mozambican Metical facilities (R27 million) and extend the maturity date to 31 March 2025. These extensions will allow the group time to refinance and simplify the structure of its funding package.

On 23 February 2022, Global Credit Ratings downgraded Hospitality's long and short-term credit rating to $BB+_{(ZA)}/B_{(ZA)}$ respectively. Concurrently, the ratings assigned to the Senior Secured Notes issued by Hospitality have been downgraded to $A-_{(ZA)(EL)}$ from $A_{(ZA)(EL)}$. The outlook on all the ratings has been maintained on Rating Watch Negative. The downgrade to Hospitality reflects the uncertain environment in which it operates, as income remains constrained due to prolonged industry recovery.

Going concern

The reviewed condensed consolidated annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken, or plans to take, as detailed herein, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

As at 31 March 2022, the group has net cash and cash equivalents of R665 million, net of bank overdrafts (2021: R407 million). The group has R3.5 billion (2021: R3.5 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R1.3 billion in undrawn facilities to meet its obligations as they become due.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the Covid-19 pandemic on the group's operations and liquidity was considered. Given the uncertainty around trading levels, management incorporated a 10% revenue contingency into the forecasts. This contingency cannot be attributed to any division but has been incorporated at group level to stress test the group's going-concern assumption. Even after incorporating this contingency, the group can meet its debt obligations.

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

Prospects

While we are encouraged by the recent upward trend in trading, we are acutely aware that we are still trading at occupancies significantly below the group's long-term average. The group still faces several challenges, the most recent being the war in Ukraine, the flooding in KZN and the fifth Covid-19 wave. While the group has limited exposure to the Eastern Bloc markets in terms of revenue generation, the war's impact on global food and fuel pricing has an effect not only on the group but on our guests. With travel budgets reduced to save costs and individuals preserving disposable income in a rising interest rate environment, the increasing cost of transport due to rising fuel prices is a major travel deterrent, particularly for international and corporate travel which are the two segments missing from the group's recovery to pre-Covid levels.

The group suffered minimal damage to its properties as a consequence of the flooding in KZN and while room sales did decline during that period, the long-term damage to infrastructure is of concern.

However, we do feel that we have passed the significant milestone of moving from a state of survival to a period of recovery. Ultimately, the demand for travel should normalise and the resilience of local leisure and, to an extent, groups and conferencing business in recent quarters is encouraging.

And finally, having weathered multiple Covid-19 waves over the past two years, the fifth wave may delay our recovery further. A consolation is that the impact of each wave seems to be less severe and the rebound in trading activity is quicker.

Commentary *continued*

What is clear is that Covid-19 will remain with us for the foreseeable future and the only way to return to some form of normality is to ensure that the majority of the South African adult population is vaccinated. For the hospitality industry in particular, ease and affordability of travel is of paramount importance as is the safety and confidence of tourists once they reach our shores and stay in our hotels. Recent amendments to government regulations seem to support this view while still responsibly managing the spread of the virus.

A promising development is that key hospitality events are back on the calendar, including the Mining Indaba held in Cape Town as well as the Africa Travel Indaba held in Durban, both in early May 2022. The group used the Africa Travel Indaba event to launch its rebranding to Southern Sun. Post the separate listing of the hotel group in June 2019, it became clear that the gaming and hotel groups operate in different markets and that the joint use of the Tsogo Sun brand was creating confusion. With the group having navigated the worst of the pandemic, it is an ideal time to re-establish the group as the leading hospitality group in the Southern hemisphere and draw on our rich 50-year history to embark on a new beginning and create excitement and optimism among our employees, suppliers and guests, all of whom have supported us throughout this most devastating period in the group's history. Follow the Sun.

Dividend

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

Events occurring after balance sheet date

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 11 of these reviewed condensed consolidated financial statements, which are non-adjusting events and have no impact on the results for the year ended 31 March 2022.

Presentation

Shareholders are advised that a presentation on the results for the year ended 31 March 2022 will be held on Friday, 27 May 2022 at 10:00 via Microsoft Teams, and those wishing to join can find the link to the presentation on the company's website at **www.southernsun.com/investors**.

M von Aulock
Chief Executive Officer

L McDonald
Chief Financial Officer

26 May 2022

Independent auditor's review report on condensed consolidated financial statements

To the Shareholders of Tsogo Sun Hotels Limited

We have reviewed the condensed consolidated financial statements of Tsogo Sun Hotels Limited, set out on pages 10 to 32 of the provisional report, which comprise the condensed consolidated balance sheet as at 31 March 2022 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Tsogo Sun Hotels Limited for the year ended 31 March 2022 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio
Registered Auditor
Johannesburg
26 May 2022

Notes to the reviewed condensed consolidated financial statements

for the year ended 31 March

1 BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. Chief Financial Officer, L McDonald CA(SA), supervised the preparation of these condensed consolidated financial statements. The accounting policies are consistent with IFRS as well as those applied in the previous audited financial statements as at 31 March 2021. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with IFRS. These condensed consolidated financial statements for the year ended 31 March 2022 have been reviewed by PricewaterhouseCoopers Inc., and their unmodified review conclusion is included on page 9.

2 STANDARDS ISSUED NOT YET EFFECTIVE

Management has reviewed accounting standards issued and not yet effective, none are considered to have a material impact on the group. The most notable of these are the amendments to IAS 1 *Presentation of Financial Statements on Classification of Liabilities as Current or Non-current*, amendment to IFRS 3 *Business Combinations*, amendments to IAS 16 *Property, Plant and Equipment on Proceeds before Intended Use* and amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on onerous contracts – cost of fulfilling a contract.

3 FAIR VALUE MEASUREMENT

The group fair values its investment properties (categorised as level 3 values) and interest rate swaps (categorised as level 2 values). There were no transfers into or out of level 3, other than as shown below.

3.1 Investment properties

The movement of investment properties for the year is as follows:

	2022 Reviewed Rm	2021 Audited Rm
Opening net carrying amount	**1 561**	4 149
Additions to and development of investment properties	**7**	1
Disposals	**–**	(1)
Transfer to owner-occupied property, plant and equipment[1]	**(173)**	(2 489)
Fair value adjustments recognised in profit or loss	**55**	(99)
Closing net carrying amount	**1 450**	1 561

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

3.1.1 Fair value measurement

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the South African bond yield 10Y at the time of valuation, to which premiums are added for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. At 31 March 2022, the group's investment properties were independently valued by professionally qualified valuers having recent experience in the location and category of the group's investment properties being valued. The valuation is currently performed on an annual basis on the entire portfolio of investment properties by an independent valuator.

3.1.2 Basis of preparation of cash flow forecasts

The Covid-19 pandemic has had a significant impact on the hospitality sector, with multiple waves prompting continuous restrictions in travelling and conferencing to curb the rate of infection. Consequently, the recovery period in the sector has been repeatedly delayed; however, there are positive signs that the severity of Covid-19 is declining with each wave and as vaccination numbers increase or immunity improves, it is unlikely that a return to more stringent restrictions will be required. A conservative view with a slow recovery has been forecast, and each property individually considered. In order to ensure the cost efficiencies achieved in the operational restructuring flowed through to the cash flow forecasts, each hotel prepared a detailed budget for FY23 assuming a slow return of domestic and international corporate business during FY23H1 and volumes increasing steadily into FY23H2 as foreign inbound travel volumes increase ahead of the summer season. The budget assumes no further Covid-19-related lockdown restrictions and that the corporate, conferencing and international segments have normalised somewhat, to reach pre-Covid occupancy levels by FY25. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from 30.6% currently to 45.7% in FY23, increasing to 58.5% in FY24, which is closer to the group's long-term occupancy levels. Average room rates (ARRs) are assumed to increase by a compound annual revenue growth rate (CAGR) of 5.5% between FY23 and FY25. Based on a review of the FY24 revenue and Ebitdar levels of each hotel, management is comfortable that the individual hotel trading assumptions are reasonable.

From FY24 onwards, ARRs were increased by CPI +1% while the maximum occupancy for the majority of the hotels in the portfolio was the group's long-term average of 68% unless they have historically traded better. Operating expenses were escalated by CPI except for utilities, which escalate by 10% per annum. Payroll costs were escalated by CPI +1.5%. No expansion capex has been forecast and maintenance capex has been reviewed by unit and reduced as much as possible. More focus will be placed on repairs and maintenance to ensure that the properties are kept in good condition.

Other valuation inputs

The risk-free rate applied remained flat at 9.5% at 31 March 2022 when compared to the prior year (31 March 2021: 9.5%). The independent valuer has again taken a conservative view on the discount rate and terminal capitalisation rates, supported by management, which has resulted in higher discount rates being maintained in the current year, in line with rates used in the prior year. As a consequence of the various inputs applied for individual hotels, fair values of certain properties increased while others decreased, but the aggregate fair value of the total portfolio increased by 4%.

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

- A weighted average rental growth rate of 32.0%* (2021: 28.0%);
- A terminal capitalisation rate of 9.0% – 12.0% (2021: 9.0% – 12.0%); and
- A risk-adjusted discount rate of 13.0% – 14.5% (2021: 12.0% – 14.5%).

* *The weighted average rental growth calculated at 32.0% is as a result of the initial recovery in Ebitdar in year one and two from the low, and in some instances, negative Ebitdar base due to the impact of the Covid-19 pandemic. From year three, most of the Ebitdar growth rates are in line with the long-term growth rate of 5%.*

Sensitivities

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

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

3.2 Interest rate swaps

Hedge accounting is applied to the group's interest rate swaps. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). In line with group policy, a portion of the group debt is hedged.

Fixed interest rate swaps ranged from 6.2% to 7.2% as at 31 March 2022, referenced against the three-month JIBAR of 4.4% (2021: fixed interest rate swaps ranged from 6.7% to 7.4% as at 31 March 2021, referenced against the three-month JIBAR of 3.7%).

The fair value of the group's derivatives used for hedge accounting is a liability of R13 million (31 March 2021: R69 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. As at 31 March 2022, the group's interest rate hedges have been assessed as effective.

4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

The impairment test was performed by reviewing the cash flow forecasts for the period FY23 to FY27. The cash flow forecasts for the South African and offshore properties were prepared on the basis set out in note 3.1.2 "Basis of preparation of cash flow forecasts". The recoverable amount has been determined by the higher of value in use and the fair value less costs to sell using a discounted cash flow model (DCF). The discount rate utilised in the valuation ranges between 13.0% and 14.5% (2021: 13.5% and 14.0%) for the South African hotels and ranges between 7.2% and 14.8% (2021: 9.7% to 17.5%) for the offshore properties. The terminal growth rate applied for the offshore properties is 2.5% (2021: 1.7%) and 4.0% (2021: 4.5%) for the South African properties.

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

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

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

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

Sensitivities

The table below indicates the sensitivities of the aggregate recoverable amounts of property, plant and equipment detailed above for the following changes to assumptions and would have the inverse effect on the aggregate impairments recognised for the cash flow and terminal growth rate assumptions:

	2022		2021	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	**130**	**(130)**	154	(154)
25bps change in the terminal growth rate	**38**	**(36)**	33	(36)
50bps change in the discount rate	**(125)**	**136**	(129)	137

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

5 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

5.1 Interest-bearing borrowings

Changes arising from financing activities for the year ended 31 March 2022 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings, are as follows:

	Long term Rm	Short term Rm	Total Rm
Balance at 1 April 2021	**2 991**	**485**	**3 476**
Borrowings raised	**379**	**100**	**479**
Borrowings repaid	**(448)**	**–**	**(448)**
Currency translation	**(17)**	**–**	**(17)**
Reclassification to long-term borrowings	**585**	**(585)**	**–**
Other	**5**	**–**	**5**
Balance at 31 March 2022	**3 495**	**–**	**3 495**
Balance at 1 April 2020	3 974	–	3 974
Borrowings raised	141	100	241
Borrowings repaid	(566)	–	(566)
Currency translation	(175)	–	(175)
Reclassification to short-term borrowings	(385)	385	–
Other	2	–	2
Balance at 31 March 2021	2 991	485	3 476

The group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements are met and that the group can meet its obligations as they come due. In HPF, Note 11, maturing on 31 March 2023 (R600 million), was replaced with Note 14 on the same terms and conditions maturing on 31 March 2024. In addition, a term loan (R500 million fully utilised facility maturing on 31 August 2022) and an RCF facility (R500 million facility maturing on 19 December 2022 of which R200 million was utilised at 31 March 2022) were extended on the same terms and conditions to 31 August 2023 and 19 December 2023 respectively. The company extended its R600 million facility, of which R200 million was utilised at 31 March 2022, on the same terms and conditions to 30 June 2023. The group's Mozambican US Dollar-denominated facilities equating to R358 million and R27 million MZN-denominated loan which was due in March 2022 have been refinanced for a further five and three years respectively.

5.2 Lease liabilities

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

	Non-current portion 2022 Rm	Current portion 2022 Rm
At 1 April 2021	**1 346**	**14**
Transfer to current lease liability	**(11)**	**11**
Rent concessions	**–**	**(4)**
Principal elements of lease payments	**–**	**(10)**
Modification of lease contract	**14**	**–**
At 31 March 2022	**1 349**	**11**

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

	Non-current portion 2021 Rm	Current portion 2021 Rm
At 1 April 2020	1 024	13
New leases raised	278	–
Transfer to current lease liability	(14)	14
Rent concessions	(26)	(13)
Finance costs accrued	38	–
Modification of lease contract	46	–
At 31 March 2021	1 346	14

6 RELATED PARTY TRANSACTIONS

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

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

The group has also concluded certain transactions with its associates and with Tsogo Sun Gaming Limited and its subsidiary companies (Tsogo Sun Gaming), the more significant transactions are shown below:

	2022 Rm	2021 Rm
Hotel management fees and royalties received from Tsogo Sun Gaming	**29**	10
Management fees received from Tsogo Sun Gaming for shared services	**4**	5
Fees received from Tsogo Sun Gaming for administration services for hotels	**15**	13
Management fees paid to Tsogo Sun Gaming for shared services	**(2)**	(1)
Tenant recoveries by Tsogo Sun Gaming	**(4)**	(4)
Insurance premiums paid to Tsogo Sun Gaming	**(10)**	(30)
Insurance claims received from Tsogo Sun Gaming	**179**	11
Shareholder loans to associate – IHL Holdco Limited	**65**	32
Loan due to fellow shareholder in associate (IHL) – RDI	**(33)**	–
Dividend received from associate – RBH	**5**	–

The group had no other significant related party transactions during the year under review.

7 RENTAL CONCESSIONS

As permitted by IFRS 16, the group early adopted the amendment with effect from 1 April 2020 retrospectively although there was no adjustment to the opening balance of retained earnings at the same date. The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The group applied the practical expedient to all of its leases where it is a lessee and lease concessions were granted to the group which met the rent concession requirements as set out in IFRS 16. These include the Garden Court Marine Parade, Cape Town City Bowl Complex and the Sandton Consortium hotels. The application was applied retrospectively with effect from 1 April 2020. This had the effect of reducing rental expenses and lease liabilities by R39 million in the 2021 financial year.

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

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

8 SEGMENT INFORMATION

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

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

9 CAPITAL COMMITMENTS

The group spent R48 million on maintenance and expansion capex for the year ended 31 March 2022. The group has committed capital spend of R18 million, of which the majority has been placed on hold.

10 CONTINGENT LIABILITIES

The group had no significant contingent liabilities as at 31 March 2022.

11 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

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

The successful implementation of the Proposed Transaction will result in the group receiving a net cash inflow of R257.2 million and acquiring the two Emnotweni Hotels, which are important for the group's distribution in the province. Refer to note 6 for details of the management fee impact on the group. The company believes this to be a beneficial transaction for the group and its shareholders.

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

12 GOING CONCERN

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

12.1 Covid-19 status

On the assumption that the new Covid-19 regulations gazetted under the National Health Act as announced on 5 May 2022 remain in place into FY23 and trading levels continue to improve in line with the trend over the past two months, there should be increasing demand for conferences, business and leisure travel with international and corporate take up during FY23H2. There is still a risk that a severe fifth wave of infections could occur, however, the group's experience and learning throughout the pandemic means that management can quickly respond by deactivating hotels and reducing rostered staff to reduce cash burn to a minimum. Any capital expenditure will be further delayed as far as practicably possible.

12.2 Financial capacity and covenants

As previously reported, lenders introduced revised covenants comprising Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items – which definition is consistent with the funding agreements) and liquidity thresholds, measured quarterly. The revised covenants established a maximum rolling 12-month negative Ebitda level and a minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. The company comfortably met the minimum Ebitda and liquidity thresholds for each quarterly measurement period in the 2022 financial year. As at 31 March 2022 headroom on the rolling 12-month Ebitda loss was R381 million and headroom on available facilities including cash on hand was R973 million. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million in the prior year including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements and as at 31 March 2022 liquidity headroom was R422 million.

Lenders have further approved the covenant waivers for September 2022 on the basis that the rolling Ebitda threshold be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis at a company level. In Hospitality, the requirement is to continue to have a minimum available liquidity of R125 million, until such time that the normal covenant requirements are met. The terms of the revised waiver relating to an event of default remain the same as described above. Covenant levels for later periods will be reassessed during the preparation of the group's five-year forecasts. As at 31 March 2022, the group has net cash and cash equivalents of R655 million, net of bank overdrafts (2021: R407 million). The group has R3.5 billion (2021: R3.5 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.3 billion in undrawn facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the continuing impact of the Covid-19 pandemic on the group's operations and liquidity was considered. Refer to note 3.1.2 "Basis of preparation of cash flow forecasts" for further details. Based on the current improved trading levels the forecasts, which indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, management believes that the company should meet these revised covenant levels.

Condensed consolidated income statement

for the year ended 31 March

	Change %	2022 Reviewed Rm	2021 Audited Rm
Rooms revenue	177	**1 641**	593
Food and beverage revenue	172	**731**	269
Property rental income		**90**	52
Other income		**246**	249
Income	133	**2 708**	1 163
Property and equipment rentals		**(16)**	9
Amortisation and depreciation		**(365)**	(407)
Employee costs		**(846)**	(520)
Other operating expenses		**(1 465)**	(890)
Insurance proceeds received		**191**	–
Impairment of property, plant and equipment		**(94)**	(237)
Profit on sale of joint venture		**–**	355
Impairment of goodwill		**–**	(30)
Fair value adjustment of investment properties		**55**	(99)
Operating profit/(loss)		**168**	(656)
Finance income		**15**	33
Finance costs		**(373)**	(379)
Share of profit/(loss) of associates and joint ventures		**26**	(128)
Loss before income tax		**(164)**	(1 130)
Income tax credit		**8**	148
Loss for the year		**(156)**	(982)
Loss attributable to:			
Equity holders of the company		**(156)**	(896)
Non-controlling interests		**–**	(86)
		(156)	(982)
Basic and diluted loss attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		**1 478**	1 478
Weighted number of shares in issue (million)		**1 478**	1 233
Basic and diluted loss per share (cents)	85	**(10.6)**	(72.7)

Condensed consolidated statement of comprehensive income

for the year ended 31 March

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

Supplementary information

for the year ended 31 March

	2022 Reviewed Rm	2021 Audited Rm
Reconciliation of loss attributable to equity holders of the company to headline loss and adjusted headline loss		
Loss attributable to equity holders of the company	**(156)**	(896)
Loss on disposal of property, plant and equipment	**1**	1
Impairment of property, plant and equipment	**94**	237
Fair value adjustment of investment properties	**(55)**	99
Impairment relating to IHL (Associate)	**–**	10
Impairment relating to RBH (Associate)	**–**	5
Share of associates' (IHL) headline earnings adjustment	**(11)**	100
Gain on disposal of investment in joint venture	**–**	(355)
Impairment of goodwill	**–**	30
Total tax effect of adjustments	**7**	(18)
Tax effect of rate change	**(1)**	–
Total non-controlling interest effects of adjustments	**–**	4
Headline loss	**(121)**	(783)
Transaction costs	**–**	6
Restructuring costs	**4**	36
Pre-opening expenses	**–**	3
Impairment of inventory	**–**	8
Share of associates' exceptional items	**–**	3
Tax impact of Hospitality ceasing to be a REIT[1]	**–**	105
Total tax effects of other exceptional items	**(1)**	(11)
Adjusted headline loss[2]	**(118)**	(633)
Number of shares in issue (million)	**1 478**	1 478
Weighted number of shares in issue (million)	**1 478**	1 233
Basic and diluted headline loss per share (cents)	**(8.2)**	(63.5)
Basic and diluted adjusted headline loss per share (cents)	**(8.0)**	(51.4)

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

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

Supplementary information *continued*

for the year ended 31 March

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

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

Condensed consolidated cash flow statement

for the year ended 31 March

	2022 Reviewed Rm	2021 Audited Rm
Cash flows from operating activities		
Profit/(loss) before interest and income tax	**168**	(656)
Adjust for non-cash movements	**478**	455
(Decrease)/increase in working capital	**(19)**	195
Cash generated from/(utilised in) operations	**627**	(6)
Finance income	**15**	33
Finance costs	**(353)**	(379)
Income tax paid	**(9)**	(42)
Net cash generated from/(utilised in) operating activities	**280**	(394)
Cash flows from investment activities		
Purchase of property, plant and equipment	**(40)**	(56)
Proceeds from disposals of property, plant and equipment	**1**	3
Additions to investment properties	**(7)**	(1)
Purchase of intangible assets	**(1)**	(6)
Proceeds from disposal of joint venture	**–**	467
Proceeds on disposal of financial assets at fair value through profit or loss	**2**	–
Acquisition of subsidiary	**–**	24
Other loans granted	**–**	(9)
Dividends received	**5**	–
Net cash (utilised in)/generated from investment activities	**(40)**	422
Cash flows from financing activities		
Borrowings raised	**479**	241
Borrowings repaid	**(448)**	(566)
Principal elements of lease payments	**(10)**	–
Other current liabilities repaid	**–**	(5)
Net cash generated from/(utilised in) financing activities	**21**	(330)
Net increase/(decrease) in cash and cash equivalents	**261**	(302)
Cash and cash equivalents at beginning of the year, net of bank overdrafts	**407**	722
Foreign currency translation	**(3)**	(13)
Cash and cash equivalents at end of the year, net of bank overdrafts	**665**	407

Condensed consolidated balance sheet

as at 31 March

	2022 Reviewed Rm	2021 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**8 878**	9 106
Right-of-use assets	**984**	1 045
Investment properties	**1 450**	1 561
Goodwill	**354**	354
Other intangible assets	**48**	54
Investments in associates	**325**	305
Post-employment benefit liability	**2**	3
Non-current receivables	**14**	14
Other financial assets	**–**	3
Deferred income tax assets	**298**	297
Total non-current assets	**12 353**	12 742
Current assets		
Inventories	**69**	62
Trade and other receivables	**470**	365
Other income tax assets	**8**	5
Other current assets	**–**	12
Cash and cash equivalents	**707**	918
Total current assets	**1 254**	1 362
Total assets	**13 607**	14 104
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**5 333**	5 333
Other reserves	**1 828**	1 805
Retained earnings	**48**	205
Total shareholders' equity	**7 209**	7 343
Non-controlling interests	**97**	97
Total equity	**7 306**	7 440

	2022 Reviewed Rm	Restated[1] 2021 Audited Rm
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**3 495**	2 991
Lease liabilities	**1 349**	1 346
Derivative financial instruments	**4**	59
Deferred income tax liabilities	**262**	256
Deferred revenue	**29**	37
Provisions	**67**	58
Total non-current liabilities	**5 206**	4 747
Current liabilities		
Interest-bearing borrowings	**42**	996
Lease liabilities	**11**	14
Trade and other payables[1]	**838**	717
Deferred revenue	**58**	74
Provisions[1]	**88**	57
Current portion derivative financial instruments	**9**	10
Current income tax liabilities	**49**	49
Total current liabilities	**1 095**	1 917
Total liabilities	**6 301**	6 664
Total equity and liabilities	**13 607**	14 104

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

Condensed consolidated statement of changes in equity

for the year ended 31 March

	Attributable to equity holders of the company					
	Ordinary share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2020 (audited)	4 642	599	1 102	**6 343**	2 352	**8 695**
Total comprehensive loss	–	(273)	(897)	**(1 170)**	(99)	**(1 269)**
Loss for the year	–	–	(896)	**(896)**	(86)	**(982)**
Cash flow hedges, net of tax	–	(1)	–	**(1)**	(12)	**(13)**
Currency translation adjustment	–	(272)	–	**(272)**	(1)	**(273)**
Remeasurements of post-employment defined benefit liability net of tax	–	–	(1)	**(1)**	–	**(1)**
Acquisition of NCI in HPF	691	1 465	–	**2 156**	(2 156)	**–**
Share-based payments charge	–	14	–	**14**	–	**14**
Balance at 31 March 2021 (audited)	5 333	1 805	205	**7 343**	97	**7 440**
Total comprehensive loss	–	13	(157)	**(144)**	–	**(144)**
Loss for the year	–	–	(156)	**(156)**	–	**(156)**
Cash flow hedges, net of tax	–	40	–	**40**	–	**40**
Currency translation adjustment	–	(27)	–	**(27)**	–	**(27)**
Remeasurements of post-employment defined benefit liability net of tax	–	–	(1)	**(1)**	–	**(1)**
Share-based payments charge	–	10	–	**10**	–	**10**
Balance at 31 March 2022 (reviewed)	**5 333**	**1 828**	**48**	**7 209**	**97**	**7 306**

Segmental analysis

for the year ended 31 March

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

[1] *All revenue and income from hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue.*

[2] *Refer reconciliation of operating loss to Ebitdar on page 26.*

[3] *Included in **Manco**.*

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

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

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

Revenue from contracts with customers

for the year ended 31 March

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The group has no contract assets. The table below presents revenue by segment which excludes other income as these are accounted for under different accounting policies, which are included in the segmental analysis on page 31. Disaggregation of revenue from contracts with customers for the period under review:

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time		Revenue from external customers	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Internally managed	**1 449**	508	**629**	234	**182**	203	**2 260**	945
Coastal	**861**	302	**336**	122	**96**	43	**1 293**	467
Inland	**451**	146	**234**	84	**51**	104	**736**	334
Other	**137**	60	**59**	28	**35**	56	**231**	144
Manco	**–**	–	**–**	–	**44**	33	**44**	33
Offshore	**192**	85	**102**	35	**20**	13	**314**	133
	1 641	593	**731**	269	**246**	249	**2 618**	1 111

Reconciliation to segmental analysis on page 31:		
Revenue from contracts with customers per above	**2 618**	1 111
Property rental income	**90**	52
Reallocation of rates and taxes and costs recovered from HPF	**–**	(25)
Total income per segmental analysis	**2 708**	1 138

DIRECTORS

JA Copelyn (Chairman)* MN von Aulock (Chief Executive Officer) L McDonald (Chief Financial Officer) MH Ahmed (Lead Independent)*#
SC Gina*# ML Molefi# JG Ngcobo*#
JR Nicolella* CC September*#

* *Non-executive* # *Independent*

COMPANY SECRETARY

Southern Sun Secretarial Services Proprietary Limited

REGISTERED OFFICE

Palazzo Towers West, Montecasino Boulevard, Fourways, 2055
(Private Bag X200, Bryanston, 2021)

TRANSFER SECRETARIES

JSE Investor Services Proprietary Limited (previously Link Market Services South Africa Proprietary Limited), 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

SPONSOR

Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

AUDITORS

PricewaterhouseCoopers Inc.,
4 Lisbon Lane, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

This provisional results announcement (announcement) contains forward-looking statements and information in relation to the group. By its very nature, such forward-looking statements and information require the company to make assumptions that may not materialise or that may not be accurate. Such forward-looking information and statements involve known and unknown risks, uncertainties and other important factors beyond the control of the company that could cause the actual performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Past share performance cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of the announcement and no statement is intended to be a profit forecast. Forward-looking statements are the responsibility of the directors and have not been reviewed and reported on by the external auditors in accordance with ISAE 3400 *The Examination of Prospective Financial Information*.

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