Southern Sun

2023

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

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

Commentary

Trading levels continued to recover, particularly in the second half of the financial year, as local and international travel patterns normalised and demand for conferencing and events increased. All regions performed well and exceeded FY20 (pre-Covid-19) levels except the Sandton node, reflecting the delayed recovery in corporate transient travel exacerbated by many companies in the node still operating a hybrid remote-working model.

Excluding the once-off payment of R399 million received from Tsogo Sun Gaming Limited ("TSG") on implementation of the Separation Agreement ("Separation Payment"), the group achieved total revenue (including discontinued operations) for the year ended 31 March 2023 of R5.1 billion (FY22: R2.7 billion), a growth of 87.6% on FY22 and 13.5% above FY20 revenue of R4.5 billion. Similarly, the group generated Ebitdar (including discontinued operations) of R1.4 billion (FY22: R590 million), significantly higher than FY22 and a growth of 6.2% on FY20 Ebitdar of R1.35 billion. This performance is particularly encouraging considering group occupancy of 51.5% (FY22: 30.6%) for the FY23 year is well below the 59.3% achieved in FY20.

In addition, the group has grown average room rates ("ARR") by 18.3% and 16.3% from FY22 and FY20, respectively. This is mainly attributable to ARR growth in the group's core portfolio as well as the consolidation of luxury properties with higher ARRs such as The Westin Cape Town, Arabella Hotel, Golf & Spa and Mount Grace Hotel & Spa that were previously treated as investment properties. Luxury hotel guests have proven more resilient to prevailing economic pressures such as inflation and rising interest rates, being influenced more by location and personal preference rather than price. Having reduced the group's operational gearing through the cost restructuring undertaken during Covid-19, the flow-through from revenue growth to Ebitdar has improved, positively impacting profitability despite lower occupancy.

The group's Ebitdar margin of 28.3% (excluding the Separation Payment) is well above the prior year margin of 21.8% but below FY20 as a result of the consolidation of hotels previously treated as investment properties.

Notwithstanding the upward trend in trading and return to normalised travel patterns, the group remains heavily exposed to the South African economy which faces slow GDP growth, high unemployment and a lack of policy certainty and solutions to the country's ongoing energy crisis from government. The continuous load shedding has a detrimental impact on consumer and corporate sentiment.

The group has spent R41 million on diesel in FY23 to power its owned hotels compared to R10 million in FY22 and R11 million in FY20. While not specifically tracked, the group has also seen consistent increases in repairs and maintenance, some of which would relate to generator and other equipment faults caused by load shedding. Repairs and maintenance costs in FY23 of R159 million (FY22: R103 million) has increased by 54.4% and 15.2% on FY22 and FY20, respectively.

Given our learnings from the pandemic, the group can quickly reduce costs in response to revenue contraction and after the refinancing of the group's debt package and significantly reduced debt levels (refer to Funding capacity and covenants and Corporate activity), a short to medium-term retraction in occupancy no longer poses an existential threat to the group. We will continue the discipline of managing cash flow and liquidity closely and maintaining the cost efficiencies achieved while

at the same time focusing on the completion of various refurbishment projects that were placed on hold, particularly at flagship properties so that we avoid downtime during high-demand periods.

Corporate activity

The group has implemented two transactions previously reported to shareholders which has resulted in an aggregate reduction in the group's gearing levels by R947 million, strengthening the balance sheet and positioning the group to maximise benefits from the recovery in trading.

The first of these transactions is the implementation of the transaction with TSG on 30 September 2022 which culminated in the termination of the various management and licensing agreements in respect of 15 hotels owned by TSG, the acquisition by the group of the Southern Sun Mbombela and StayEasy Mbombela hotel buildings and related assets and net cash proceeds to the group of R257 million. For further details refer to note 6.

The second transaction was the disposal of the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria ("Ikoyi Hotels Disposal") to Kasada Albatross Holding ("Kasada") for aggregate proceeds of US$32 million, US$7 million of which was used to settle the group's Mauritian-based US$-denominated debt. The balance of the proceeds was repatriated back to South Africa and used to settle ZAR-denominated debt. The Ikoyi Hotels Disposal was effective from 1 December 2022 and funds-flow occurred on 12 December 2022. In order to secure the disposal proceeds and provide Kasada with additional time to refinance the hotel's in-country debt of US$12.8 million, the group agreed to Kasada depositing US$12.8 million, equating to R230 million, in a Southern Sun controlled bank account in Mauritius to serve as cash held as security against the group's guarantee obligations ("Ikoyi Cash Deposit"). Should the refinancing not be implemented by 30 November 2023, the group has the right to utilise this cash to settle the outstanding external debt balance. The Ikoyi Cash Deposit has been included in cash and cash equivalents as at 31 March 2023 and the related liability to repay Kasada should the hotel's debt be refinanced, has been separately disclosed on the face of the balance sheet. In line with interim reporting, the Southern Sun Ikoyi has been disclosed as a discontinued operation. Refer to note 12 for further information.

The group bought back 10 million SSU shares at an average price of R4.46. Additional buy-backs are intended should the group remain undervalued.

Review of operations

Following the implementation of the TSG Transaction and the resulting decrease in external management fee income earned by the group, management took the opportunity to review its segmental reporting structure. The disclosure relating to revenue and Ebitdar performance of the **Offshore** segment remains unchanged from prior years. Revenue and Ebitdar relating to **Investment properties – Externally managed** now excludes the Sandton Eye retail space which forms part of the Radisson Blu Gautrain Hotel building, and has been disclosed in the Internally managed segment.

The revenue and Ebitdar relating to the **Sandton Consortium** hotels leased from Liberty 2 Degrees Limited ("L2D") and their partners together with the management fee income earned from the Sandton Convention Centre has been disclosed as a separate segment. While the group reflects the trading revenue and Ebitdar relating to the hotel operations, what is retained in Ebitda after rental payments to L2D and partners is effectively management fee income earned from the hotels and the Sandton Convention Centre along with 1% of the Ebitdar of the hotels. **Internally managed** hotels in South Africa have been categorised by major province (Western Cape, KwaZulu-Natal, Gauteng and Other) to better reflect the group's geographical footprint. Hotel Ebitdar is disclosed before the deduction of internal management fees and after external management fee income earned from hotels managed for third-party owners in the respective province. This provides more meaningful information about the cash generated by the group from a particular province and how performance is influenced by events taking place in that province. The **Other** segment includes hotel properties located in outlying regions including Mpumalanga, Eastern Cape, Kimberley, Bloemfontein and Polokwane. The reallocation of external management fee income into the respective provinces means that the **Manco** segment now reflects the unallocated cost of providing the various central services to the business including among others, sales, marketing, information technology, development, human resources and finance. This segment also includes the net cost of the group's frequentGuest loyalty rewards programme. For further details on the group's segmental analysis, refer to page 33.

Total income from continuing operations for the year ended 31 March 2023 of R5.4 billion (FY22: R2.6 billion) ended R2.8 billion above the prior year with a R1.7 billion and R577 million increase in hotel rooms' revenue and food and

beverage revenue respectively. Other revenue ended R425 million above the prior year at R667 million, and apart from the overall improvement in trading levels with management fee, conferencing, parking and spa income all increasing compared to the prior year, other revenue also includes the Separation Payment received on implementation of the transaction with TSG (refer to Corporate activity) as per IFRS 15, *Revenue from Contracts with Customers*.

The group generated Ebitdar from continuing operations of R1.4 billion (FY22: R559 million, a R850 million increase on the prior year and equating to an Ebitdar margin of 28.3% (if the Separation Payment is excluded from total income) compared to 21.5% in the prior year. It is important to note that while the take-on of eight hotel operations managed by Marriott and Radisson between FY20 and FY22 (Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa, Southern Sun The Marine, Garden Court Victoria Junction, Radisson Blu Gautrain and The Westin Cape Town) improved the group's ARRs, the consolidation of trading revenue and expenses in the group's results has a dilutionary impact on Ebitdar margin. The same applies to the conversion of the Sandton Consortium hotels from managed properties to leased properties on 1 November 2019. This is because rental and management fee income from these hotels were included in revenue which flowed through to Ebitdar at a margin of 100%.

Ebitdar from **Externally managed – Investment properties** of R149 million (FY22: R58 million) relates to the four remaining investment properties not operated or managed by the group, being Birchwood Hotel & Conference Centre, the Radisson Blu Waterfront Hotel, Champagne Sports Resort and Kopanong Hotel & Conference Centre. On a like-for-like basis and excluding the Garden Court Victoria Junction hotel that transferred to owner-occupied property, plant and equipment in October 2021, rental income improved by R96 million compared to a R53 million rental income in the prior year, which reflects the improvement in trading, particularly at the Birchwood Hotel and Conference Centre and the Radisson Blu Waterfront Hotel. The former was supported by government groups and conferencing business particularly in the lead-up to elections, while the latter benefited from increased international leisure and corporate travel to Cape Town over the summer season.

The **Sandton Consortium** segment reflects the trading performance of the Sandton Sun and Towers complex and the Garden Court Sandton City leased from L2D and partners, along with management fee income earned from the Sandton Convention Centre. This segment generated revenue of R521 million (FY22: R215 million) and Ebitdar of R147 million (FY22: R1 million) for the year ended 31 March 2023. During FY22, while the hotels were still recovering from the impact of Covid-19, the leases remained suspended with

L2D and partners covering any Ebitdar losses and the group forgoing management fee income and cost recoveries. As the groups and conferencing and corporate segments began to recover during the first half of FY23, and these hotels became economically viable, the leases were reinstituted and the hotels have been star performers in Gauteng, thanks to their location and the increased demand for events and conferencing at the Sandton Convention Centre. After rent, the group retained Ebitda of R22 million (FY22: R1 million) relating to the Sandton Consortium properties for the year ended 31 March 2023.

Overall, revenue and Ebitdar generated by the **Internally managed** South African hotel portfolio owned and leased by the group for the year was R4.0 billion (FY22: R2.1 billion) and R1.1 billion (FY22: R397 million) respectively. All regions performed significantly better relative to the prior year, given the impact of the Delta variant of Covid-19 and the rioting in KwaZulu-Natal between June and July 2021. Various sporting and government events along with the African Travel Indaba and two Mining Indabas held in May 2022 and February 2023 as well as increasing demand from international and domestic corporate conferencing and leisure transient travel, made a significant contribution to the group's performance across the provinces for the year. The group generated revenue and Ebitdar from the **Western Cape** of R1.5 billion (FY22: R569 million) and R512 million (FY22: R62 million) respectively. The revenue and Ebitdar contribution from **KwaZulu-Natal** was R961 million (FY22: R710 million) and R281 million (FY22: R213 million) respectively.

The corporate transient travel segment has been the slowest to return to pre-Covid-19 levels which is partly a function of companies continuing to contain travel costs in this uncertain economic environment and partly attributable to the slow transition from remote working to a complete return to offices. Our view is that corporate transient travel will eventually normalise. As a result of this phenomenon, Gauteng has lagged other provinces in terms of recovery, particularly nodes outside of the OR Tambo International Airport and the Sandton central business district. The group's revenue and Ebitdar from **Gauteng** for the year ended 31 March 2023 amounted to R995 million (FY22: R447 million) and R177 million (FY22 Ebitdar loss: R5 million) respectively. The group's Rosebank hotels have struggled due to lack of corporate conferencing and transient travel in a competitive market as a result of additional capacity that has been added. In response, the group is planning a refurbishment of the Southern Sun Rosebank bedrooms to align them with the look-and-feel of the refurbished lobby which was launched as part of the hotel's rebranding to a Southern Sun. The group is excited about the opportunities presented by the rebranding of the Holiday Inn Sandton to a core Southern Sun brand in Sandton and our

relationships with sporting bodies, corporates and government should give this hotel more traction in the market.

The **Other** region includes outlying hotels situated in Mpumalanga, Eastern Cape, Kimberley, Bloemfontein and Polokwane. These hotels are well supported by government groups and conferencing business as well as sporting events and have consistently performed well throughout the pandemic. This region generated revenue and Ebitdar for the FY23 year of R562 million (FY22: R403 million) and R161 million (FY22: R127 million) respectively.

Total revenue for the continuing operations in the **Offshore** division of hotels of R378 million (FY22: R214 million) for the year largely relates to the Southern Sun Maputo, Mozambique which benefited mainly from oil and gas-related business; and Paradise Sun, thanks to support from the European market. Trading at the Southern Sun, The Ridge in Zambia was muted due to its reliance on corporate travel from South Africa with much of the demand directed to the outlying mining regions as opposed to the city. In response to these dynamics, expenses have been tightly controlled. In the owned offshore portfolio only the Southern Sun Dar es Salaam, Tanzania remains closed, however, conditions in-country have improved, and the group continues to monitor levels of demand for an indication that re-opening the hotel would be feasible. The continuing operations of the offshore division generated Ebitdar of R76 million (FY22: R21 million, which included R12 million insurance proceeds).

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

For the year ended 31 March	2023	2022	2020
Occupancy (%)	**51.5**	30.6	59.3
Average room rate (R)	**1 268**	1 072	1 090
RevPar (R)	**652**	328	647
Rooms available ('000)^	**5 081**	5 008	4 314
Rooms sold ('000)	**2 615**	1 530	2 560
Rooms revenue (Rm)*	**3 314**	1 641	2 791

^ *The increase in rooms available from FY22 to FY23 relates to the transfer of the Garden Court Victoria Junction with effect from October 2021, from investment properties to owner-occupied property, plant and equipment. The increase in rooms available from FY20 to FY23 relates to the transfer of Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa and Southern Sun The Marine to internally managed, the inclusion of The Westin Cape Town and Radisson Blu Gautrain Hotel as part of the group's owned portfolio as well as the inclusion of the Sandton Consortium hotels for a full year compared to five months in FY20.*

* *Trading statistics have not been adjusted to exclude discontinued operations and rooms revenue is the total revenue generated from continuing and discontinued operations.*

The **Manco** segment is now effectively a cost centre and revenue for this segment reflects the net impact of how the group accounts for its frequentGuest loyalty rewards programme. The expense relating to rewards issued are reclassified from hotel marketing costs to other revenue in the Manco segment. Income relating to reward forfeitures are offset against this expense. At an Ebitdar level the reclassification of the issued rewards to revenue eliminate, and only the reward forfeitures remain to offset costs relating to central services provided to the group's South African hotels, including among others, sales, marketing, information technology, development, human resources and finance services. Manco costs net of reward forfeitures for the year ended 31 March 2023 were R94 million compared to R97 million in the prior year. The Manco segment also includes once-off items such as the Separation Payment of R399 million included in revenue in the current year and business interruption insurance proceeds of R179 million included in Ebitdar in the prior year.

Property and equipment rental expense of R154 million (FY22: R16 million) represents the variable portion of lease payments including the impact of rent concessions in the prior year and modifications. Excluding the impact of IFRS 16, the group incurred cash rent of R288 million for the year compared to R146 million in the prior comparative year. The overall increase in the group's rent expense reflects the normalisation in trading and the reinstitution of the leases over the Sandton Consortium.

Exceptional gains for the period of R668 million (FY22 loss: R44 million) relate to the Separation Payment received on implementation of the transaction with TSG as well as the profit on the Ikoyi Hotels Disposal of a combined R658 million (refer to the Corporate activity section) together with upward revaluations of investment properties and reclassification of interest rate hedges to the income statement of R32 million in aggregate, net of losses on disposal of property, plant and equipment, trademark impairments, restructuring costs and transaction costs totalling R22 million.

Net finance costs of R306 million (FY22: R351 million) include interest on capitalised leases of R132 million (FY22: R128 million) and have reduced because of the reduction in the group's net interest-bearing debt levels, despite rising base interest rates (margins on the group's refinanced facilities were in-line with or in some cases, less than, the margins on the term loans and notes that were settled).

The share of profit from associates of R25 million (FY22: R26 million) reduced by R1 million, but includes net impairments of R10 million (comprising investment property impairments of R15 million net of fair value gains on interest rate hedges of R5 million) in the current year and upward revaluations of investment properties of R11 million in the prior year. The base can be attributable to improving trading conditions. Hotel trading in the UK has recovered quickly, particularly in the regional markets but discount rates on investment properties have increased.

The income tax expense for the year of R270 million (FY22 credit: R2 million) relates mainly to the tax raised on the Separation Payment received from TSG as well as increased trading levels during the year. The group's operating subsidiaries remain in assessed loss positions although much of the loss has been utilised by the gain relating to the Separation Payment from TSG. Deferred income tax assets amounting to R312 million have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Group adjusted headline profit from continuing operations for the year at R431 million (FY22 loss: R132 million) has improved by R563 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 has reduced slightly from the prior year due to the group's acquisition of 10 million SSU shares (refer to Corporate activity) and the resultant adjusted headline earnings per share from continuing operations is 29.2 cents (FY22 loss: 9.0 cents).

Funding capacity and covenants

In December 2022, the group successfully concluded the refinancing of its debt package with the aim of simplifying the security structure, further extending the facility tenures to between three and five years and reintroducing normalised covenants.

Total facilities of R2.5 billion were raised across all four major South African banks with R2.1 billion of the proceeds applied towards the settlement of term loans in Hospitality Property Fund Limited ("HPF") of R400 million and the settlement of outstanding HPF notes of R1.7 billion. The HPF corporate note programme was delisted with effect from 30 November 2022 and funds flow and settlement of the HPF term loans and note programme occurred on 9 December 2022. Refer to note 11.1 for further details.

Interest-bearing debt net of cash at 31 March 2023 totalled R1.3 billion (excluding the Ikoyi Cash Deposit – refer to the Corporate activity section), which is R1.5 billion less than the 31 March 2022 balance of R2.8 billion.

Going concern

The condensed reviewed consolidated financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and facility headroom, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. Refer to note 11 for further details.

The board of directors of the company has assessed the cash flow forecasts and is of the view that the group has sufficient liquidity to meet its obligations over the next 12 months.

Prospects

We are encouraged by trading levels over the last six months which have continued into April and May 2023. The impact of a winter with a severely constrained electricity system is unknown. Having successfully strengthened the group's balance sheet over the past year, we are able to withstand short-term trading volatility but will continue to maintain the discipline of managing liquidity and capital allocation prudently. The group's strategy is to continue reducing debt levels and making the most of the properties we have in our portfolio, many of which are irreplaceable, and to focus on our customer delivery.

Dividend

The directors considered it prudent to retain cash resources to ensure that the group can meet its obligations until trading and occupancies normalise and the threat of increased load shedding during winter subsides. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2023.

Events occurring after the balance sheet date

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report.

Presentation

Shareholders are advised that a presentation on the results for the year ended 31 March 2023 will be held on Thursday, 25 May 2023 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**.

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

25 May 2023

Independent auditor's review report on condensed consolidated financial statements

To the Shareholders of Southern Sun Limited

We have reviewed the condensed consolidated financial statements of Southern Sun Limited, set out on pages 11 to 35 of the provisional report, which comprise the condensed consolidated balance sheet as at 31 March 2023 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 Southern Sun Limited for the year ended 31 March 2023 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.
Director: Pietro Calicchio
Registered Auditor
Johannesburg
25 May 2023

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 2022. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with IFRS. These reviewed condensed consolidated financial statements for the year ended 31 March 2023 have been reviewed by PricewaterhouseCoopers Inc., and their unmodified review conclusion is included on page 10.

2 STANDARDS ISSUED NOT YET EFFECTIVE

The group is concluding on the impact of the new standards, interpretations and amendments that have been issued but are not effective as of 31 March 2023, none of which are expected to have a material effect on the consolidated position or performance of the group.

Amendments to IAS *1 Presentation of Financial Statements on Classification of Liabilities as Current or Non-current,* amendment to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a single transaction and Narrow scope amendments to IAS 1 *Presentation of Financial Statements,* Practice Statement 2, IFRS 17 *Insurance Contracts* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates, have been considered and none are considered to have a material impact on the group.

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 in note 3.1.

3.1 Investment properties

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

	2023 Reviewed Rm	2022 Audited Rm
Opening net carrying amount	**1 450**	1 561
Additions to and development of investment properties	**31**	7
Transfer to owner-occupied property, plant and equipment[1]	**–**	(173)
Fair value adjustments recognised in profit or loss – continuing operations	**4**	55
Closing net carrying amount	**1 485**	1 450

[1] *The transfer from investment property to property, plant and equipment in the prior financial year relates to the Garden Court Victoria Junction.*

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

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 factors in a risk premium associated with the local economy as well as those specific to the local property market and the hotel industry. At 31 March 2023, 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

Based on the out-performance of actual FY23 results versus FY23 group forecasts, management has adopted a more optimistic view of the recovery in trading levels and an overarching assumption has been made that the group will return to long-term average occupancy levels excluding the impact of Covid-19. The forecast period in which each individual hotel returns to its long-term average occupancy has been individually considered based on its specific regional and market dynamics. 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 FY24 assuming an increased return of domestic and international corporate business during FY24H1 and volumes increasing steadily into FY24H2 as foreign inbound travel volumes increase ahead of the summer season. The overall assumption for the group was that FY20 occupancies should be reached in FY25 and increase from there as FY20 was impacted by Covid-19, particularly in March 2020. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from 57% in FY24 to 60% for FY25, increasing to 64% in FY27 and 65% in FY28, which is closer to the group's long-term occupancy levels before the impact of Covid-19. ARRs are assumed to increase by a compound annual revenue growth rate (CAGR) of 5.6% between FY24 and FY28. Based on a review of the revenue and Ebitdar levels of each hotel, management is comfortable that the individual hotel trading assumptions are reasonable. Operating expenses were escalated by CPI except for utilities, which escalates by an average of 10.6%, between FY24 and FY28. Payroll costs were escalated by CPI +1.5%. No expansion capex has been forecast and maintenance capex has been reviewed by unit and prioritised to ensure that the properties are well maintained and in good condition.

Other valuation inputs

The risk-free rate applied increased to 9.8% at 31 March 2023 when compared to the prior year (31 March 2022: 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 2%.

As at 31 March 2023 the significant unobservable inputs were as follows:

- A weighted average Ebitdar growth rate of 10.0%* (FY22: 32.0%**);
- A terminal capitalisation rate of 9.0% – 11.0% (FY22: 9.0% – 12.0%); and
- A risk-adjusted discount rate of 12.5% – 14.5% (FY22: 13.0% – 14.5%).

* *The weighted average Ebitdar growth calculated at 10.0% in FY23 is as a result of the continued recovery in FY24 and reaching FY20 (pre-Covid-19) levels by FY25. From year three (FY26), most of the Ebitdar growth rates are in line with the long-term growth rate of 5%.*

** *The weighted average Ebitdar growth calculated at 32.0% in FY22 is as a result of the initial recovery in Ebitdar from Covid-19 levels during FY23 and FY24. The recovery in Ebitdar is assumed to stabilise in FY24 and reach FY20 (pre-Covid-19) levels by FY25. From year four (FY26), 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:

	2023		2022	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	**68**	**(68)**	73	(73)
25bps change in the terminal capitalisation rate	**(22)**	**22**	(14)	14
50bps change in the discount rate	**(25)**	**26**	(40)	42

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 2023, referenced against the three-month JIBAR of 8.0% (2022: 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%).

The fair value of the group's derivatives used for hedge accounting is an asset of R28 million (2022 liability: R13 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 period. As at 31 March 2023, the group's interest rate hedges have been assessed as effective with the exception of one hedge which is deemed to be ineffective.

4 Impairment of goodwill and property, plant and equipment

Management has assessed the group's goodwill and property, plant and equipment for impairment by reviewing the cash flow forecasts for the period FY24 to FY28, which we believe adequately reflect cash flows generated by the underlying hotels for the years ending March 2024 to March 2025 as the recovery in trading levels normalises. The cash flow forecasts for the South African and offshore properties were prepared on the basis set out in note 3.1.2. The recoverable amount has been determined by the higher of the 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 12.5% and 14.5% (FY22: 13.0% and 14.5%) for the South African hotels and ranges between 10.1% and 14.2% (FY22: 7.2% to 14.8%) for the offshore properties. The terminal growth rate applied for the offshore properties is 2.6% (FY22: 2.5%) and 5.6% (FY22: 4.0%) 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 2023 and no further impairments or reversals of impairments are required. In the prior year, the group impaired Southern Sun Ikoyi by R94 million as a result of the delayed recovery due to lockdown restrictions and the continued depreciation of the Naira against the USD.

Sensitivities

The table below indicates the sensitivities of the aggregate recoverable amounts of property, plant and equipment 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:

	2023		2022	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	**174**	**(173)**	130	(130)
25bps change in the terminal growth rate	**70**	**(66)**	38	(36)
50bps change in the discount rate	**(95)**	**100**	(125)	136

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 2023 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings, are as follows:

	Long term Rm	Short term Rm	Total Rm
Year ended 31 March 2023			
Balance at 1 April 2022	**3 495**	**–**	**3 495**
Borrowings raised	**2 383**	**–**	**2 383**
Borrowings repaid	**(3 829)**	**–**	**(3 829)**
Currency translation	**133**	**–**	**133**
Derecognition on disposal of subsidiary	**(218)**	**–**	**(218)**
Balance at 31 March 2023	**1 964**	**–**	**1 964**
Year ended 31 March 2022			
Balance as 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

In December 2022, the group successfully concluded the refinancing of its debt package with the aim of simplifying the security structure, further extending the facility tenures to between three and five years and reintroducing normalised covenants. Total facilities of R2.5 billion were raised across all four major South African banks with R2.1 billion of the proceeds applied towards the settlement of term loans in HPF of R400 million and the settlement of outstanding HPF notes of R1.7 billion. The HPF corporate note programme was delisted with effect from 30 November 2022 and funds flow and settlement of the HPF term loans and note programmes occurred on 9 December 2022.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

5.2 Lease liabilities

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

	Non-current portion Rm	Current portion Rm	Total Rm
Year ended 31 March 2023			
At 1 April 2022	**1 349**	**11**	**1 360**
New leases raised	**95**	**5**	**100**
Transfer to current lease liabilities	**(35)**	**35**	**–**
Principal elements of lease payments	**–**	**(22)**	**(22)**
Modification of lease contract	**3**	**6**	**9**
At 31 March 2023	**1 412**	**35**	**1 447**

Total cash outflow of R99 million (FY22: R112 million) relating to finance costs has been included in cash flows from operating activities.

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

6 RELATED PARTY TRANSACTIONS

On 26 May 2022, the company announced on SENS that it had concluded a separation agreement with TSG, which gave TSG the right to terminate (on one month's notice) the various management and licensing agreements in respect of 15 hotels owned by TSG, for a Separation Payment of R399 million. The group also concluded a hotel properties and businesses acquisition agreement with TSG to acquire the Southern Sun Mbombela and StayEasy Mbombela hotel buildings and related assets, which are important for the group's distribution in the Mpumalanga province, for an aggregate purchase consideration of R142 million (collectively, the TSG Transaction). All conditions precedent were fulfilled by the end of August 2022, with the exception of the approval by the Eastern Cape Gambling Board of the termination of the management contract relating to the Southern Sun Hemingways hotel which was fulfilled by the end of January 2023. The TSG Transaction was implemented with effect from 30 September 2022. The net cash inflow to the group as at 31 March 2023 amounted to R257 million. As at 31 March 2023 the management and licensing agreement in respect of all 15 hotels owned by TSG have been terminated and excluded from the group's portfolio of managed hotel properties.

In addition to the TSG Transaction, the group's other related party transactions and balances are set out below:

	2023 Rm	2022 Rm
Hotel management fees and royalties received from Tsogo Sun Gaming	**31**	29
Management fees received from Tsogo Sun Gaming for shared services	**6**	4
Fees received from Tsogo Sun Gaming for administration services for hotels	**15**	15
Management fees paid to Tsogo Sun Gaming for shared services	**(1)**	(2)
Tenant recoveries by Tsogo Sun Gaming	**(5)**	(4)
Dividend received from associate – RBH	**3**	5
Insurance claims received from Tsogo Sun Gaming	**–**	179
Insurance premiums paid to Tsogo Sun Gaming	**–**	(10)
Purchase of Southern Sun and StayEasy Mbombela from Tsogo Sun Gaming	**(142)**	–
Separation Payment received from Tsogo Sun Gaming	**399**	–
Shareholder loans to associate – IHL Holdco Limited	**44**	65
Loan due to fellow shareholder in associate (IHL) – RDI	**(10)**	(33)

The group has no other significant related party transactions during the period under review.

7 RENTAL CONCESSIONS AND LEASE MODIFICATIONS

The IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 was a lease modification. Lessees could elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this would 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 occurred. 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 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 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. Only the rent concession relating to the Sandton Consortium leases were applicable during the 2022 financial year and had the effect of reducing rental expenses and lease liabilities by R20 million. Additionally, the Sandton Consortium lease concession was extended beyond the 30 June 2022 date allowed in terms of applying the practical expedient and resulted in a modification of the leases which increased the finance lease liability and the right-of-use asset by R14 million in the year ended 31 March 2022.

During the period under review, the group and the lessor reconsidered the financial performance of the Sandton Consortium hotels and agreed that the hotel precinct was approaching economic viability. The impact of this assessment was considered and resulted in the finance lease liability and the right-of-use asset increasing by R9 million for the year ended 31 March 2023.

The lease relating to Garden Court East London was extended for an additional 10 years on 1 July 2022 on revised terms, which resulted in the recognition of a right-of-use asset and a corresponding lease liability of R70 million.

Additionally, a right-of-use asset and corresponding lease liability of R23 million has been recognised relating to the rental of office space at Nelson Mandela Square with the lease effectively commencing on 1 April 2023 as well as a right-of-use asset and corresponding lease liability of R7 million relating to the Southern Sun Cape parking lease extended on 1 January 2023 for an additional 10 years.

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 was no change to the basis of measurement of segment profit or loss from the annual financial statements apart from the disclosure of Ikoyi as a discontinued operation and the CODM taking into account the impact of the implementation of the TSG Transaction (refer to note 6 for further details) and the impact on external management fees earned.

Following the implementation of the TSG Transaction and the resulting decrease in external management fee income earned by the group, senior management took the opportunity to review its segmental reporting structure. The disclosure relating to revenue and Ebitdar performance of the **Offshore** segment remains unchanged from prior years. Revenue and Ebitdar relating to **Investment properties – Externally managed** (previously disclosed as Rental income – HPF) now excludes the Sandton Eye retail space which forms part of the Radisson Blu Gautrain Hotel building, and has been disclosed in the Internally managed segment.

The revenue and Ebitdar relating to the **Sandton Consortium** hotels leased from L2D and partners has been disclosed as a separate segment previously included as part of the Inland segment. While the group reflects the trading revenue and Ebitdar relating to the hotel operations, what is retained in Ebitda after rental payments to L2D and partners is effectively management fee income earned from the hotels and the Sandton Convention Centre along with 1% of the Ebitdar of the hotels.

Internally managed hotels in South Africa have been categorised by province, previously disclosed based on whether the hotel was located at the coast or inland, to better reflect the group's geographical footprint. Similarly, hotels that were previously included in the Trading income – HPF segment are now included in their respective province. The Ebitdar measure of each segment includes the external management fee income earned from hotels managed for third-party owners before the deduction of internal management fees as these internal fees are no longer included in the **Manco** segment. This provides more meaningful information about the cash generated by the group from a particular province and how performance is influenced by events taking place in that province. **Other** segment includes hotel properties located in outlying regions including Mpumalanga, Eastern Cape, Kimberley, Bloemfontein and Polokwane.

The reallocation of external management fee income into the respective provinces means that the **Manco** segment now reflects the unallocated cost of providing the various central services to the business including among others, sales, marketing, information technology, development, human resources and finance services. This segment also includes the net cost of the group's frequentGuest loyalty rewards programme.

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, share-based payment expense and exceptional items). The measure excludes the effects of share-based payment expense and the effects of non-recurring expenditure. The measure also excludes all headline earnings adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. Finance income and finance costs are not included in the results for each operating segment, as this is driven by the group treasury function which manages the cash and debt position of the group.

9 CAPITAL COMMITMENTS

The group spent R306 million on operating equipment, maintenance and expansion capex for the year ended 31 March 2023. The group has committed capital spend of R40 million, of which the majority relates to the activation of certain refurbishments.

10 CONTINGENT LIABILITIES

The group had no significant contingent liabilities as at 31 March 2023.

11 GOING CONCERN

The condensed reviewed consolidated financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and facility headroom, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

11.1 Financial capacity and covenants

In December 2022, the group successfully concluded the refinancing of its debt package with the aim of simplifying the security structure, further extending the facility tenures to between three and five years and reintroducing normalised covenants. Total facilities of R2.5 billion were raised across the four major South African banks, ensuring that the group remain multi-banked and is not exposed to concentration risk. R2.1 billion of these facilities was applied towards the settlement of HPF's maturing term loans and corporate notes, with the balance allocated towards headroom for the group's short-term working capital requirements.

The leverage ratio and interest cover ratio for the initial covenant measurement period ending 31 March 2023, were set at less than 3.5 and greater than 2.0, respectively. In addition, the group is required to maintain a minimum liquidity level of R500 million until 31 March 2023.

Improved profitability and cash generation during the year, along with the application of the proceeds from the TSG Transaction and Ikoyi Hotels Disposal towards the settlement of the group's interest-bearing borrowings, created facility headroom of R1.0 billion. Together with available cash of R653 million (excluding the Ikoyi Cash Deposit), the group has comfortably exceeded the liquidity covenant by R1.2 billion, achieved a leverage ratio of 1.1, and an interest cover ratio of 4.8 for the 31 March 2023 measurement date. The minimum liquidity requirement falls away after 31 March 2023 when the covenants become more restrictive over time, based on a sliding scale:

- the maximum leverage cover ratio reduces to 3.0 for periods after 31 March 2023, to 2.5 for periods after 31 March 2024 and to 2.0 for periods after 31 March 2025;
- the minimum interest cover ratio increases to 2.5 for periods after 31 March 2023.

Based on current performance and management's forecast cash flows to 31 March 2024 (refer to note 3.1.2), there is no reason to believe that the group will not meet these covenant levels.

As at 31 March 2023, the group had net cash and cash equivalents net of bank overdrafts of R653 million (FY22: R665 million) which excludes the Ikoyi Cash Deposit (refer to note 12 for further information). The group has R1.96 billion (FY22: R3.5 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R1.0 billion in undrawn facilities to meet its obligations as they become due.

The board of directors of the company has assessed the cash flow forecasts and is of the view that the group has sufficient liquidity to meet its obligations over the next 12 months.

12 DISCONTINUED OPERATIONS

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* the profits from discontinued operations have been disclosed separately and relate to the sale of the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria to Kasada Albatross Holding ("Kasada"), effective 1 December 2022. Southern Sun Ikoyi was the group's only hotel operation in Nigeria.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

The group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria was disposed of to Kasada for aggregate proceeds of US$32 million (funds flow occurred on 12 December 2022), US$7 million of which was used to settle the group's Mauritian-based US$-denominated debt. The balance of the proceeds was repatriated back to South Africa and used to settle ZAR-denominated debt. In order to secure the disposal proceeds and provide Kasada with additional time to refinance the hotel's in-country debt of US$12.8 million, the group agreed to Kasada depositing US$12.8 million in a Southern Sun controlled bank account in Mauritius to serve as cash held as security against the group's guarantee obligations ("Ikoyi Cash Deposit"). Should the refinancing not be implemented by 30 November 2023, the group has the right to utilise this cash to settle the outstanding external debt balance. The Ikoyi Cash Deposit has been included in cash and cash equivalents as at 31 March 2023 and the related liability to repay Kasada should the hotel's debt be refinanced has been separately disclosed on the face of the balance sheet.

Profit attributable to discontinued operations:

	Period ended 30 November 2022 Rm	Year ended 31 March 2022 Rm
Profit/(loss) attributable to discontinued operations		
Revenue	**94**	104
Expenses	**(49)**	(53)
Impairment of property, plant and equipment	**–**	(94)
Employee costs	**(18)**	(20)
Amortisation and depreciation	**(5)**	(8)
Operating profit/(loss)	**22**	(71)
Net finance costs	**(8)**	(7)
Profit/(loss) before income tax	**14**	(78)
Income tax credit	**–**	6
Profit/(loss) for the period from discontinued operations after income tax	**14**	(72)
Profit on disposal of subsidiary after income tax	**259**	–
Profit/(loss) from discontinued operations net of tax	**273**	(72)

	As at 30 November 2022 Rm
The net carrying amount of assets and liabilities at the date of sale	
Non-current assets	
Property, plant and equipment	855
Deferred income tax assets	51
Current assets	
Inventory	5
Trade and other receivables	20
Cash and cash equivalents	77
Total assets	1 008
Non-current liabilities	
Interest-bearing borrowings	(218)
Current liabilities	
Trade and other payables	(31)
Provisions	(1)
Current income tax liabilities	(5)
Total liabilities	(255)

Cash flows from discontinued operations

	Period ended 30 November 2022 Rm	Year ended 31 March 2022 Rm
Net cash flows attributable to discontinued operations		
Net cash generated from operating activities	27	20
Net cash utilised for investment activities	(2)	–
Net cash generated by financing activities	–	–
Net cash generated by discontinued operations	25	20

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

Proceeds from disposal of subsidiary

	2023 Rm
Cash proceeds received	548
Cash disposed of with subsidiary	(77)
Proceeds from disposal of subsidiary net of cash disposed of	471

	2023 Rm
Profit on disposal of subsidiary	
Net asset value disposed of	753
Non-controlling interests (“NCI”)	(161)
Net asset value after NCI	592
Liabilities recognised on disposal	10
Reserves realised on sale: Reclassification of foreign currency translation reserve to profit or loss	(313)
Cash proceeds received	(548)
Profit on disposal of subsidiary after income tax	(259)

Condensed consolidated income statement

for the year ended 31 March

	Change %	2023 Reviewed Rm	2022 Audited Restated[1] Rm
Rooms revenue	106	**3 255**	1 577
Food and beverage revenue	83	**1 272**	695
Property rental income		**192**	90
Other revenue		**667**	242
Income	107	**5 386**	2 604
Property and equipment rentals		**(154)**	(16)
Amortisation and depreciation		**(346)**	(357)
Employee costs		**(1 345)**	(826)
Other operating expenses		**(2 253)**	(1 412)
Insurance proceeds received		**–**	191
Fair value adjustment of investment properties		**4**	55
Operating profit		**1 292**	239
Finance income		**29**	15
Finance costs		**(335)**	(366)
Share of profit of associates		**25**	26
Profit/(loss) before income tax		**1 011**	(86)
Income tax (expense)/credit		**(270)**	2
Profit/(loss) for the year from continuing operations		**741**	(84)
Profit/(loss) for the year from discontinued operations net of tax		**273**	(72)
Profit/(loss) for the year		**1 014**	(156)
Profit/(loss) attributable to:			
Equity holders of the company		**1 014**	(156)
From continuing operations		**743**	(81)
From discontinued operations		**271**	(75)
Non-controlling interests		**–**	–
From continuing operations		**(2)**	(3)
From discontinued operations		**2**	3
		1 014	(156)
Basic and diluted profit/(loss) attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		**1 468**	1 478
Weighted number of shares in issue (million)		**1 476**	1 478
Basic profit/(loss) per share (cents)		**68.7**	(10.6)
From continuing operations		**50.4**	(5.5)
From discontinued operations		**18.3**	(5.1)
Diluted profit/(loss) per share (cents)		**67.6**	(10.6)
From continuing operations		**49.6**	(5.5)
From discontinued operations		**18.0**	(5.1)

[1] *Restated for discontinued operations – refer to note 12.*

Condensed consolidated statement of comprehensive income

for the year ended 31 March

	2023 Reviewed Rm	2022 Audited Restated[1] Rm
Profit/(loss) for the year	**1 014**	(156)
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**38**	13
Cash flow hedges	**42**	56
Cash flow hedges reclassified to profit or loss	**(28)**	–
Currency translation adjustments on continuing operations	**228**	(14)
Currency translation adjustments on discontinued operations	**114**	(13)
Foreign currency translation reserve reclassified to profit or loss – discontinued operations	**(313)**	–
Income tax relating to items that may subsequently be reclassified to profit or loss	**(5)**	(16)
Items that may not be reclassified subsequently to profit or loss:	**2**	(1)
Remeasurements of post-employment defined benefit liability	**2**	(1)
Total comprehensive income/(loss) for the year	**1 054**	(144)
Total comprehensive income/(loss) attributable to:		
Equity holders of the company	**1 007**	(144)
Non-controlling interests	**47**	–
	1 054	(144)
Total comprehensive income/(loss) attributable to equity holders:		
Continuing operations	**933**	(59)
Discontinued operations	**74**	(85)
	1 007	(144)

[1] *Restated for discontinued operations – refer to note 12.*

Supplementary information

for the year ended 31 March

	Continuing operations		Discontinued operations	
	2023 Reviewed Rm	2022 Audited Restated[1] Rm	**2023 Reviewed Rm**	2022 Audited Restated[1] Rm
Reconciliation of profit/(loss) attributable to equity holders of the company to headline profit/(loss) and adjusted headline profit/(loss)				
Profit/(loss) attributable to equity holders of the company	**743**	(81)	**271**	(75)
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of property, plant and equipment	**–**	–	**–**	94
Fair value adjustment of investment properties	**(4)**	(55)	**–**	–
Share of associates' (IHL) headline earnings adjustment	**15**	(11)	**–**	–
Tax effect of rate change	**–**	(1)	**–**	–
Impairment of trademark	**6**	–	**–**	–
Total tax effect of adjustments	**(2)**	12	**–**	(5)
Profit on disposal of subsidiary	**–**	–	**(259)**	–
Headline profit/(loss)[3, 4]	**763**	(135)	**12**	14
Separation Payment	**(399)**	–	**–**	–
Transaction cost	**7**	–	**–**	–
Restructuring costs	**4**	4	**–**	–
Share of associates' exceptional items	**(5)**	–	**–**	–
Cash flow hedges reclassified to profit or loss	**(28)**	–	**–**	–
Total tax effects of other exceptional items	**89**	(1)	**–**	–
Adjusted headline profit/(loss)[2, 3]	**431**	(132)	**12**	14
Number of shares in issue (million)	**1 468**	1 478	**1 468**	1 478
Weighted number of shares in issue (million)	**1 476**	1 478	**1 476**	1 478
Basic headline profit/(loss) per share (cents)	**51.7**	(9.2)	**0.8**	1.0
Diluted headline profit/(loss) per share (cents)	**50.9**	(9.2)	**0.8**	1.0
Basic adjusted headline profit/(loss) per share (cents)	**29.2**	(9.0)	**0.8**	1.0
Diluted adjusted headline profit/(loss) per share (cents)	**28.7**	(9.0)	**0.8**	1.0

[1] *Restated for discontinued operations – refer to note 12.*

[2] *Adjusted headline profit/(loss) is defined as profits or 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 at year end and is commonly used in the industry.*

[3] *Net insurance proceeds after tax of R139 million has been included in the group's headline loss and adjusted headline loss for the year ended 31 March 2022. This is consistent with the treatment of the insured losses which were not adjusted out of headline losses or adjusted headline losses when they were incurred in the financial period ended 31 March 2022.*

[4] *The Separation Payment of R399 million (R313 million net of tax) has been included in the group's headline profit for the year ended 31 March 2023.*

Supplementary information *continued*

for the year ended 31 March

	Continuing operations		Discontinued operations	
	2023 Reviewed Rm	2022 Audited Restated[1] Rm	**2023 Reviewed Rm**	2022 Audited Restated[1] Rm
Reconciliation of operating profit/(loss) to Ebitdar				
Ebitdar pre-exceptional items is made up as follows:				
Operating profit/(loss)	**1 292**	239	**22**	(71)
Amortisation and depreciation	**346**	357	**5**	8
Property rentals	**134**	3	**–**	–
Share-based payment expense	**18**	10	**–**	–
	1 790	609	**27**	(63)
Add/(less): Exceptional[2] losses/(gains)				
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of property, plant and equipment	**–**	–	**–**	94
Fair value adjustment of investment properties	**(4)**	(55)	**–**	–
Impairment of trademark	**6**	–	**–**	–
Separation Payment	**(399)**	–	**–**	–
Restructuring costs	**4**	4	**–**	–
Transaction costs	**7**	–	**–**	–
Ebitdar	**1 409**	559	**27**	31

[1] *Restated for discontinued operations – refer to note 12.*

[2] *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

	2023 Reviewed Rm	2022 Audited Restated[1] Rm
Cash flows from operating activities		
Profit before interest and income tax	**1 317**	265
Adjust for non-cash movements	**433**	345
Decrease in working capital	**(56)**	(11)
Cash generated from operations	**1 694**	599
Finance income	**29**	15
Finance costs	**(335)**	(346)
Income tax paid	**(100)**	(8)
Dividends paid	**(1)**	–
Cash flows from operating activities – discontinued operations	**27**	20
Net cash generated from operating activities	**1 314**	280
Cash flows from investment activities		
Purchase of property, plant and equipment – replacement	**(131)**	(40)
Purchase of property, plant and equipment – expansionary	**(142)**	–
Purchase of intangible assets	**(2)**	(1)
Proceeds from disposals of property, plant and equipment	**1**	1
Additions to investment property	**(31)**	(7)
Proceeds on disposal of financial assets at fair value through profit or loss	**–**	2
Dividends received	**3**	5
Proceeds from disposal of subsidiary net of cash disposed of	**471**	–
Net cash utilised for investment activities – discontinued operations	**(2)**	–
Net cash generated from/(utilised for) investment activities	**167**	(40)
Cash flows from financing activities		
Borrowings raised	**2 383**	479
Borrowings repaid	**(3 829)**	(448)
Principal element of lease payments	**(22)**	(10)
Purchase of treasury shares	**(45)**	–
Funds received and held as security	**230**	–
Net cash (utilised for)/generated from financing activities	**(1 283)**	21
Net increase in cash and cash equivalents	**198**	261
Cash and cash equivalents at beginning of the year, net of bank overdrafts	**665**	407
Foreign currency translation	**20**	(3)
Cash and cash equivalents at end of the year, net of bank overdrafts	**883**	665

[1] *Restated for discontinued operations – refer to note 12.*

Condensed consolidated balance sheet

as at 31 March

	2023 Reviewed Rm	2022 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**8 412**	8 878
Right-of-use assets	**1 014**	984
Investment properties	**1 485**	1 450
Goodwill	**354**	354
Other intangible assets	**38**	48
Investments in associates	**374**	325
Post-employment benefit assets	**5**	2
Derivative financial instruments	**28**	–
Non-current receivables	**14**	14
Deferred income tax assets	**312**	298
Total non-current assets	**12 036**	12 353
Current assets		
Inventories	**75**	69
Trade and other receivables	**504**	470
Other income tax assets	**8**	8
Cash and cash equivalents	**883**	707
Demand deposit held as security	**230**	–
Cash and cash equivalents	**653**	707
Total current assets	**1 470**	1 254
Total assets	**13 506**	13 607
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**5 333**	5 333
Other reserves	**1 837**	1 828
Treasury shares	**(44)**	–
Retained earnings	**1 064**	48
Total shareholders' equity	**8 190**	7 209
Non-controlling interests	**(18)**	97
Total equity	**8 172**	7 306

	2023 Reviewed Rm	2022 Audited Rm
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**1 964**	3 495
Lease liabilities	**1 412**	1 349
Derivative financial instruments	**–**	4
Deferred income tax liabilities	**458**	262
Deferred revenue	**23**	29
Provisions	**70**	67
Total non-current liabilities	**3 927**	5 206
Current liabilities		
Interest-bearing borrowings	**–**	42
Lease liabilities	**35**	11
Trade and other payables	**887**	838
Deferred revenue	**46**	58
Current portion derivative financial instruments	**–**	9
Provisions	**137**	88
Current income tax liabilities	**72**	49
Liabilities linked to demand deposit	**230**	–
Total current liabilities	**1 407**	1 095
Total liabilities	**5 334**	6 301
Total equity and liabilities	**13 506**	13 607

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	Treasury shares Rm	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 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 1 April 2022 (audited)	5 333	1 828	–	48	**7 209**	97	**7 306**
Total comprehensive income	–	(9)	(44)	1 016	**963**	(114)	**849**
Profit for the year	–	–	–	1 014	**1 014**	–	**1 014**
Cash flow hedges, net of tax	–	9	–	–	**9**	–	**9**
Currency translation adjustment	–	295	–	–	**295**	47	**342**
Derecognition on disposal of subsidiary	–	(313)	–	–	**(313)**	(161)	**(474)**
Purchase of treasury shares[1]	–	–	(45)	–	**(45)**	–	**(45)**
Issue of treasury shares	–	–	1	–	**1**	–	**1**
Remeasurements of post-employment defined benefit liability net of tax	–	–	–	2	**2**	–	**2**
Share-based payments charge	–	18	–	–	**18**	–	**18**
Dividends paid	–	–	–	–	**–**	(1)	**(1)**
Balance at 31 March 2023 (reviewed)	5 333	1 837	(44)	1 064	**8 190**	(18)	**8 172**

[1] *The group bought back 10 million SSU shares at an average price of R4.46.*

Segmental analysis

for the year ended 31 March

	Revenue[2]		Ebitdar[3]		Ebitdar margin	
	2023 Rm	2022 Restated[1] Rm	2023 Rm	2022 Restated[1] Rm	2023 %	2022 Restated[1] %
Continuing operations						
Externally managed – Investment properties[4]	**153**	58	**149**	58	**97**	100
Sandton Consortium	**521**	215	**147**	1	**28**	–
Internally managed	**3 971**	2 129	**1 131**	397	**28**	19
Western Cape	**1 453**	569	**512**	62	**35**	11
KwaZulu-Natal	**961**	710	**281**	213	**29**	30
Gauteng	**995**	447	**177**	(5)	**18**	*
Other	**562**	403	**161**	127	**29**	32
Offshore[5]	**378**	214	**76**	21	**20**	10
Manco costs	**363**	(12)	**(94)**	82	*	*
Manco[5, 6]	**(36)**	(12)	**(94)**	(97)	*	*
Separation Payment	**399**	–	**–**	–	**–**	–
Business interruption insurance[5]	**–**	–	**–**	179	**–**	–
Total	**5 386**	2 604	**1 409**	559	**26**	21
Discontinued operations						
Offshore	**94**	104	**27**	31	**29**	30
Group, including discontinued operations	**5 480**	2 708	**1 436**	590	**26**	22

[1] *Restated for discontinued operations and the change to the disclosure of segmental reporting – refer to note 12 and note 8.*

[2] *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.*

[3] *Refer reconciliation of operating profit/(loss) to Ebitdar on page 28.*

[4] *Trading relating to Garden Court Victoria Junction was included in the externally managed – Investment property segment up to September 2021, whereafter it moved to owner-occupied property, plant and equipment and included in the Western Cape (2022: total rental income from the hotel was R6 million).*

[5] *Ebitdar for the period ended 31 March 2022 includes the business interruption cover settled by Tsogosure Insurance Company Limited amounting to R27 million relating to the combined policy with TSG and R150 million paid to Hospitality (an accrual of R10 million has been raised for claims by third-party operators as well as R2 million relating to other insurance claims). In addition, R12 million in insurance claims has been settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.*

[6] *This segment includes the net cost of the group's frequentGuest loyalty rewards programme which is managed by Manco and consequently includes the forfeitures and any other adjustments, while the redemptions are allocated to the specific segments.*

* *Percentage change greater than 100% or negative.*

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 (excluding property rental income as these are accounted for under different accounting policies), which are included in the segmental analysis on page 33. 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[2]		Revenue from external customers	
	2023 Rm	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm
Continuing operations								
Sandton Consortium	**321**	120	**178**	85	**18**	7	**517**	212
Internally managed	**2 692**	1 329	**985**	544	**219**	219	**3 896**	2 092
Western Cape	**1 042**	346	**317**	138	**83**	79	**1 442**	563
KwaZulu-Natal	**599**	434	**272**	196	**55**	56	**926**	686
Gauteng	**646**	260	**269**	119	**63**	61	**978**	440
Other	**405**	289	**127**	91	**18**	23	**550**	403
Manco	**–**	–	**–**	–	**405**	–	**405**	–
Offshore	**242**	128	**109**	66	**25**	16	**376**	210
Total	**3 255**	1 577	**1 272**	695	**667**	242	**5 194**	2 514
Discontinued operations							**–**	–
Offshore	**59**	64	**32**	36	**3**	4	**94**	104
	3 314	1 641	**1 304**	731	**670**	246	**5 288**	2 618

	2023 Rm	2022 Restated[1] Rm
Reconciliation to segmental analysis on page 33:		
Continuing operations	**5 386**	2 604
Revenue from contracts with customers per above	**5 194**	2 514
Property rental income	**192**	90
Discontinued operations – Revenue from contracts with customers per above	**94**	104
Total income per segmental analysis	**5 480**	2 708

[1] *Restated for discontinued operations – refer to note 12.*

[2] *All other revenue is recognised over time except for the Separation Payment of R399 million that is included in the Manco segment.*

	2023 Rm	2022 Restated[1] Rm
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Other revenue is made up as follows:		
Management fees revenue	**84**	62
Parking revenue	**14**	10
Venue hire revenue	**60**	17
Packaged food	**23**	–
Non-arrival charges	**10**	2
Other sundry revenue	**77**	88
Separation Payment	**399**	–
Contractual Covid-19-related revenue[2]	**–**	63
Other revenue from continuing operations	**667**	242

[1] *Restated for discontinued operations – refer to note 12.*

[2] *Comprises Covid-19 contracted business including hotels providing accommodation for sporting events through bio-bubbles.*

Southern Sun

DIRECTORS

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

Non-executive # Independent

COMPANY SECRETARY

LR van Onselen for Southern Sun Secretarial Services Proprietary Limited

REGISTERED OFFICE

4th Floor, South Tower, Nelson Mandela Square, Cnr 5th and Maude Streets, Sandton, 2196 (Private Bag X200, Bryanston, 2021)

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SPONSOR

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AUDITORS

PricewaterhouseCoopers Inc.
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This provisional results 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*.

Luxury		Full Service	Economy	Convention Centre
54 ON BATH	Arabella HOTEL, GOLF & SPA	Southern Sun HOTELS	stayeasy	SANDTON CONVENTION CENTRE
BEVERLY HILLS	INTERCONTINENTAL JOHANNESBURG O.R. TAMBO AIRPORT	Southern Sun RESORTS	SUN1	
SANDTON SUN	SANDTON TOWERS	SUN SQUARE		
MOUNT GRACE HOTEL & SPA	Paradise Sun praslin seychelles	Garden Court		