OUR VISION
Our vision is to be the leading hospitality group in southern Africa by creating exceptional experiences at every one of our distinctive destinations.

WHO WE ARE
With over 50 years of excellence providing a home away from home, Southern Sun has earned the trust of our guests, who find exceptional quality and service with flair at every one of our distinctive destinations. From functional to luxurious and from exciting to relaxing, Southern Sun offers a brand and a service to suit every traveller’s needs.

Comprising an extensive collection of hotels and resorts in South Africa, Africa, the Seychelles and the Middle East, a wide selection of restaurants and bars, and strategically located conference and banqueting facilities, Southern Sun provides exceptional hospitality products of unparalleled variety and scale.

OUR OWNERS
Our key shareholder at 31 March 2022 was Hosken Consolidated Investments Limited (HCI), a JSE-listed investment holding company that directly and indirectly owned 40.6% of the total issued share capital of the company, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 62.4% effective black ownership. Our empowerment ownership is an important part of our transformation agenda and a factor considered by government and other public bodies in awarding contracts. Furthermore, our empowerment ownership may influence relationships with customers or suppliers as it contributes to their Broad-Based Black Economic Empowerment (B-BBEE) status.
Joint statement from the Chairman and Chief Executive Officer

OPERATIONS

The focus of the year ended 31 March 2022 has been on strengthening the financial position of the group and on continuing with the measures necessary to protect cash reserves and ensure the group’s sustainability as the Covid-19 pandemic persisted.

Throughout the pandemic, KwaZulu-Natal has been the group’s best-performing region due to its appeal to the domestic leisure market thanks to its proximity and ease of accessibility from Gauteng, as well as the region’s ability to provide accommodation along with conferencing facilities to government departments and sporting bodies needing to travel during the pandemic in order to function. This status was put to the test during 2022 with government implementing inter-provincial travel restrictions to curb the spread of the highly contagious Delta variant. An already difficult trading environment was worsened by the violent protests and civil unrest in Gauteng and, most materially for the group, in KwaZulu-Natal. Having barely recovered from the rioting and looting, heavy rainfall in the province during April 2022 caused extensive flooding and landslides.

The group suffered minimal damage to its properties following the riots and flooding in KwaZulu-Natal and while room sales did decline during these periods, the long-term damage to infrastructure is what is of most concern. We have worked closely with the eThekwini municipality to assist with the removal of debris and beach clean-up programmes and we are grateful that beaches in the region have safely re-opened as this will improve the perception of KwaZulu-Natal with travellers ahead of the summer season.

Encouragingly, trading levels, while still below our long-term averages and pre-Covid-19 levels, have shown continued improvement across all regions in South Africa as well as operational hotels offshore, and the group has generated positive free cash (after finance costs, tax and maintenance capex) since October 2021. Improved activity levels across all segments (including leisure, government, corporates and groups and conferencing) in conjunction with the substantial cost restructuring undertaken over the last two years, have contributed to this positive outcome, and we believe that we have transitioned from survival to a steady recovery.

The one area where we have not seen the same improvement in activity levels is from the transient traveller – a guest from a small business travelling to provide their service. We believe that this is a function of the depressed local economy and many of these businesses did not withstand the impact of Covid-19.

So while we are pleased by the recent upward trend in trading and anticipate a return to normalised travel patterns, we acknowledge that it will take time for the economy to recover and it requires policy certainty from government and solutions to the country’s ongoing energy crisis. We will continue to manage cash flow and liquidity closely as the country faces rising food and fuel prices and increasing interest rates which not only affect the group, but also 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 travel deterrent, particularly for international and corporate travel.

As we prepare this report, South Africa has withstood the fifth wave of Covid-19 infections with minimal negative impact on the group, and the country has seen the subsequent lifting of all remaining Covid-19 protocols by Health Minister, Joe Phahla. We welcome this development and consider it to be a significant milestone in the group’s recovery from the devastating impact of the pandemic.
A promising development in the new financial year has been 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. While the attendance volumes were around 75% of pre-Covid-19 levels and, as a result, there was less opportunity to yield rates, we are encouraged that international guests are increasingly comfortable to travel to South Africa as this could signal a much better summer season in Cape Town for the 2023 financial year than what was experienced in the 2022 financial year when the Omicron variant and South Africa’s subsequent placement on the UK’s red list effectively eliminated foreign in-bound travel to the region.

Having successfully hosted the Castle Lager Lions Series tour to South Africa in July 2021, the group continues to benefit from sporting events post year end including the recently concluded Welsh rugby tour to South Africa enjoyed by spectators across the country. In addition, the Rugby World Cup Sevens tournament will be hosted in Cape Town in September 2022 and while this is a short three-day event, it does create excitement among South Africans and increases the country’s visibility to international markets – with rising global inflation and the weakness of the Rand, South Africa is an affordable and attractive travel destination for foreign guests. Thanks to the group’s distribution and ability to coordinate large sporting events, SA Rugby has renewed its long-standing partnership with Southern Sun for another five years, extending the group’s association with SA Rugby and the Springboks to three decades.

Another much-anticipated event that has been reported is the potential for the South African Grand Prix to rejoin the Formula 1 race calendar in 2023, after almost 30 years. Formula 1 has millions of fans globally and being part of the annual calendar will put South Africa back on the global map as a sought-after travel destination.

CORPORATE ACTIVITY AND FUNDING
We have announced two transactions, which, if successfully implemented, will materially reduce the group’s gearing levels by some R900 million (depending on the USD/ZAR exchange rate) and strengthen our balance sheet so that we can maximise benefits from the recovery in trading.

Subsequent to year end the group decided to dispose of its Southern Sun Ikoyi Hotel (Ikoyi) in Nigeria. 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 the group with sufficient cash resources to offset offshore debt in Mozambique amounting to US$26.6 million, thereby eliminating the forex risk. 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 group continues to work on fulfilling the conditions precedent to the transaction, including the approval of the Federal Competition and Consumer Protection Commission in Nigeria.

The group also concluded a hotel properties and businesses acquisition agreement with the Tsogo Sun Gaming group (TSG) to acquire the two hotel properties and business assets of Southern Sun Emnotweni and StayEasy Emnotweni for an aggregate purchase consideration of R142 million. It further concluded a separation agreement with TSG for the termination of the various management and licensing agreements between them in respect of 15 hotels owned by TSG, for a termination fee of R399 million. The resulting net cash inflow to the group is R257 million along with ownership of the two Emnotweni hotels which are important for our distribution in the Mpumalanga province. We believe that the proceeds represent fair consideration for the termination of the management contracts and are beneficial to the group and its shareholders. The only remaining condition precedent to the implementation of the transaction is the approval of our shareholders at the general meeting scheduled for 18 August 2022.

At the same meeting, shareholders will also approve the group’s name change to Southern Sun, the final step in our rebranding. Southern Sun is a well-known brand with more than 50 years of heritage and after the devastation caused by Covid-19, returning to that name is a natural fit for the group and has been embraced by our employees, guests and suppliers.

The group is multi-banked with exposure to all four major banks in South Africa, and the financiers have been greatly supportive of all of our efforts to date for which we are grateful. As at 31 March 2022, we had received waivers of our covenants on the various facilities to September 2022 and had available R2.0 billion in cash and unutilised facilities. Having successfully extended all group debt facilities expiring during FY23, management is currently engaging with lenders to refinance the group’s debt package in order to simplify the structure, extend facility tenure and reintroduce normalised covenants which take into consideration that the group is still in the recovery phase after the impact of Covid-19.

APPRECIATION
Our sincere gratitude goes to the people of Southern Sun for what they have endured and contributed to the group over the past two years. We also want to thank the group’s financiers and stakeholders for their continued support.

John Copelyn
Non-executive Chairman

Marcel von Aulock
Chief Executive Officer
Through the years

SOUTHERN SUN THROUGH THE YEARS

1969 to 1983

South African Breweries Limited (SAB Limited) and hotelier, Sol Kerzner, partnered to create Southern Sun Hotels (Southern Sun), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills Hotel in uMhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City. Southern Sun expanded through the acquisition and development of hotels in South Africa and neighbouring countries, throughout the 1970s and early 1980s.

The casino interests of Southern Sun, including the newly built Sun City operations, were separated from its hotel business into what later became Sun International. Southern Sun retained the South African hotel operations during a difficult time for the hotel industry in South Africa as international sanctions against the apartheid government resulted in a severe contraction in demand.

1983 to 1994

Southern Sun expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a countrywide distribution of 49 hotels, in both the upmarket and mid-market segments.

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 21 hotels opened the next year.

1994 to 1999

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

Southern Sun formed a joint venture with a consortium of B-BBEE investors to form Tsogo Sun, to pursue casino licence opportunities afforded through the enactment of the National Gambling Act which regulated gambling activities and promoted uniform standards in relation to gambling in South Africa. Early success saw the Tsogo Sun Group awarded casino licences in Mpumalanga (Emnotweni Casino in Mbombela and The Ridge Casino in Emalahleni) and most importantly the Montecasino licence in Fourways, Johannesburg. These were followed by the successful applications for Suncoast Casino in Durban and Hemingways Casino in East London.

The Tsogo Sun Group expanded its hotel operations into the rest of Africa.

2003 to 2011

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

Tsogo Sun acquired Century Casinos’ operations in Caledon and Newcastle and in 2011 it acquired the Gold Reef Resorts portfolio, which consisted of seven casinos in South Africa, via a reverse listing.
2012 to 2018

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

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

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

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

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

2019

In 2019, the group celebrated its 50th anniversary and on 12 June 2019, the hotel business was unbundled by Tsogo Sun, culminating in the separate listing of Tsogo Sun Hotels on the main board of the JSE.

2020 to 2021

Covid-19, a black swan event never before experienced in the long history of the group, resulted in the deactivation of the vast majority of the group’s hotels in order to protect the health of our guests and employees.

The group successfully concluded the acquisition of 100% of Hospitality’s ordinary shares in exchange for the issue of 1.77 TGO shares for every 1 HPB share and Hospitality subsequently delisted from the JSE as an equity issuer and ceased to trade as a Real Estate Investment Trust (REIT). In addition, the group disposed of its 50% interest in the Maia Luxury Resort & Spa for aggregate proceeds of R467 million.

2021 to 2022

The group continues to successfully weather multiple waves of Covid-19 with the support of its lenders, employees, trading partners, suppliers, tenants and landlords, and loyal guests.

The group concludes agreements with the Tsogo Sun Gaming group to terminate the various management and licensing agreements between them and to acquire the Southern Sun Emnotweni and the StayEasy Emnotweni from the Tsogo Sun Gaming group.

The group concludes an agreement to dispose of its interest in Southern Sun Ikoyi in Nigeria.

The group successfully rebrands to Southern Sun.
Strategy and performance review

While the group’s strategic objectives do not change from year to year, the impact of the Covid-19 pandemic on the business has been pervasive and the 2022 performance metrics should be reviewed in that context.

**THE FIVE KEY PillARS OF OUR SUSTAINABILITY INCLUDE**

**Deliver to our beneficiaries**
Sharing value with our beneficiaries is a critical part of maintaining our social licence to operate.
- **Level 1** (2021: Level 3)
- B-BBEE contributor
- Black ownership 62% (2021: 52%)
- R1.8 billion (2021: R1.3 billion) value added to black economic empowered businesses and government
- 67 (2021: 153) beneficiaries supported through the Southern Sun Entrepreneurs programme, the new name of the Tsogo Sun Entrepreneurs programme.

**Financial strength and durability**
An appropriate capital structure is important to ensure the business survives through the economic cycle.
- Non-declaration of dividends
- Minimising cash burn
- Maintaining adequate facility headroom and compliance with revised debt covenants
- Extending debt facilities and corporate bonds to ensuring solvency requirements are met
- Unutilised facilities plus cash of R2.0 billion (2021: R1.9 billion)
- 2.3 (2021: 2.2) years weighted average expiry of debt facilities
- 57% (2021: 52%) of the group’s net debt is hedged.

**Product relevance to customer experience**
To remain relevant, a variety of quality experiences must be provided at appropriate price points.
- 18 783 (2021: 18 804) hotel rooms across all market segments
- 84% (2021: 87%) hotel guest satisfaction.

**Regulatory compliance**
As a multinational business, the group is subject to a wide range of legislation and compliance is critical to our reputation and sustained profitability.
- No significant regulation breaches.

**Skilled human resources**
Qualified, trained, talented and empowered people are required to deliver the Southern Sun experience.
- 5,998 (2021: 7,001) direct employees
- 94% (2021: 93%) of employees are African, Coloured and Indian and 56% (2021: 55%) are women.

**A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.**
The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Growth in cash flows over time is generated through the optimal operation of the group’s capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth).

### ORGANIC GROWTH

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Rm)</td>
<td>2 708</td>
<td>1 163</td>
</tr>
<tr>
<td>Ebitdar (Rm)</td>
<td>590</td>
<td>(177)</td>
</tr>
<tr>
<td>Ebitdar margin (%)</td>
<td>22</td>
<td>(16)</td>
</tr>
<tr>
<td>Adjusted headline loss per share (cents)</td>
<td>(8.0)</td>
<td>(51.4)</td>
</tr>
<tr>
<td>Free cash flow (Rm)</td>
<td>223</td>
<td>(446)</td>
</tr>
<tr>
<td>Maintenance capital expenditure (Rm)</td>
<td>43</td>
<td>46</td>
</tr>
</tbody>
</table>

### INORGANIC GROWTH

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

- Garden Court Victoria Junction, previously managed by Marriott, came under the management of Southern Sun during the year.
SUSTAINABILITY

SKILLED HUMAN RESOURCES
- Adequate resources and skills
- Engaged workforce

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE
- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands
- Management of booking channels
- Rebrand to Southern Sun

FINANCIAL STRENGTH AND DURABILITY
- Judicious use of gearing and adequate facilities
- Own most of our assets due to our 100% ownership of Hospitality

DELIVER TO OUR BENEFICIARIES
- Current shareholding, corporate social investment and enterprise development programmes are effective

INORGANIC
- New projects

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

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

GROWTH
<table>
<thead>
<tr>
<th>Growth Drivers</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Economic Recovery** | • Growth in revenue per available room (Revpar) as economy improves through higher occupancies and the resultant rate increase and yielding opportunities  
• Focus on costs to protect margins |
| **Economic Cycle** | • Hospitality industry’s economic cycle is generally closely tied to the macroeconomic cycle  
• Cyclical and seasonal nature of the business links into the macroeconomic environment and key analytics on trends remain crucial to support investment decisions |
| **Location** | • Hotels, restaurants and conference facilities in prime locations, where visibility and accessibility to major business hubs or points of leisure interest are important demand drivers |
| **Portfolio Management** | • Hotel operations require specialist expertise and are highly management and labour intensive  
• A constant focus on improvement and development for each hotel is necessary in order to maintain products that are relevant to their markets |
| **Investment in South African Hotels** | • Property acquisitions  
• Management contracts in South Africa |
| **Expansion in Offshore Hotels** | • Management contracts in Africa |
| **Capital Capacity** | • To maintain an appropriate balance of our debt and equity, we need to balance our cash requirements for reinvestment with our shareholders’ expectations for dividends  
• We need to ensure that we have sufficient flexibility to adapt to prevailing economic conditions to maintain and improve the portfolio |
The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business.

Execution of a robust and, when circumstances require, an adaptable strategy, informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately value.
Our strategy in action section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Utilisation of the capitals</th>
</tr>
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<tbody>
<tr>
<td>Intellectual</td>
<td>Our brands underpin the quality experiences of our customers. We are consistently striving to</td>
</tr>
<tr>
<td></td>
<td>innovate our physical product, technology, accessibility and brands to remain relevant to</td>
</tr>
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<td></td>
<td>our customers. Our intellectual capital is largely driven by our people, processes and</td>
</tr>
<tr>
<td></td>
<td>systems, market intelligence and specialist business partners.</td>
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<tr>
<td>Financial</td>
<td>Our ability to generate cash flows as well as access to well-priced debt and equity funding</td>
</tr>
<tr>
<td></td>
<td>determines our ability to fund organic and inorganic growth.</td>
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<tr>
<td>Social and relationship</td>
<td>The quality and strength of relationships with our key stakeholders are vital to the long-</td>
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<tr>
<td></td>
<td>term sustainability of Southern Sun. Building trust and credibility with our key stakeholders</td>
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<tr>
<td></td>
<td>is crucial to retaining our social and regulatory licence to operate.</td>
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<tr>
<th>Strategic objective</th>
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<tr>
<td>PRODUCT RELEVANCE TO</td>
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<td>CUSTOMER EXPERIENCE</td>
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<td>DURABILITY</td>
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<td>BENEFICIARIES</td>
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<td>REGULATORY COMPLIANCE</td>
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<th>Page</th>
<th>16</th>
<th>22</th>
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</table>

*Our strategy in action* section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.
KEY FEATURES
The group owns, leases and manages hotels in South Africa as well as several sub-Saharan African countries, the Seychelles and Abu Dhabi.

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

Southern Sun owns 75 hotels in South Africa and a further six offshore.

With 72% of our hotel real estate owned either through freehold or leasehold title, we prefer the “asset-heavy” hotel model as it provides strategic advantage of scale in South Africa. This model allows the group to retain control over its assets, thereby ensuring security of tenure and resilience through economic cycles. While this model is more capital intensive, it allows for greater returns on effort.
This collectively makes up the management (Manco) division’s activities, through which the group operates its hotel portfolio.

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

The majority of Southern Sun’s occupancy depends on the transient traveller, government, corporates, sporting events, and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the group.

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

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

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Each hotel in the luxury portfolio is individually branded and operated according to its unique personality, inspired by its location, design and surroundings. These luxury hotels are typically graded as five-star hotels and are some of the most iconic properties in their regions. They include: Arabella Hotel, Golf & Spa near Hermanus, the Mount Grace Hotel & Spa in Magaliesburg, Sandton Sun and Sandton Towers in Sandton; Palazzo at Montecasino; Beverly Hills in uMhlanga; Suncoast Towers on Durban’s Golden Mile; and 54 on Bath in Rosebank.

The group also operates an InterContinental branded hotel at the Johannesburg OR Tambo International Airport under licence from the InterContinental Hotels Group plc (IHG).

<table>
<thead>
<tr>
<th>BRANDS</th>
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<tr>
<td>LUXURY PORTFOLIO</td>
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Southern Sun’s key differentiator in South Africa is its wide distribution of quality hotel products.
Southern Sun Hotels is our core full service brand and is typically graded as four-star when applicable. The majority of these hotels are located in key urban nodes, servicing both business and leisure travellers. The hotels have substantial food and beverage offerings as well as conference facilities.

Southern Sun Resorts include a significant timeshare offering and are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, the Drakensberg, Mpumalanga, and the beautiful Paradise Sun on Praslin Island in the Seychelles.

Holiday Inn Sandton is the only remaining IHG brand hotel in the full-service portfolio and plans are underway to rebrand this hotel to Southern Sun Sandton in the coming year.

**FULL SERVICE PORTFOLIO**

**SOUTHERN SUN HOTELS AND SOUTHERN SUN RESORTS**

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**GARDEN COURT**

The Garden Court brand is a well-established and successful mid-market offering, spanning 21 hotels with 4,001 rooms. This brand includes large, well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City through to smaller properties such as Garden Court Morningside, and the recently rebranded Garden Court Victoria Junction.

**SUNSquare**

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

**ECONOMY PORTFOLIO**

**STAYEASY**

This brand comprises 10 hotels with 1,505 rooms and caters to the economy segment. Offering great value and comfortable rooms, these hotels are in key business locations such as Century City and the City Bowl in Cape Town, Eastgate, Pietermaritzburg and Pretoria. The group also has two StayEasy hotels in Lusaka, Zambia, and Maputo, Mozambique. The Maputo hotel is the latest StayEasy brand build.

**hi HOTELS**

hi Hotels is the newest brand introduced by the group. The first of its kind was hi Monte that opened in February 2020. The hotel consists of a modular design, with each room fully factory built. The building’s innovative structure makes it scalable, offering an attractive physical product with unique bedroom and public spaces at a capital cost that makes it highly feasible with great future potential.

**SUN1**

The SUN1 brand comprises the portfolio of economy hotels acquired from Accor, which were originally built as Formula1 hotels in South Africa. This portfolio consists of 21 hotels countrywide. SUN1 offers well-appointed rooms sleeping up to three guests at a great price. SUN1 Southgate, with 138 rooms, is the largest SUN1 hotel.

**ECONOMY**

Southern Sun’s key differentiator in South Africa is its wide distribution of quality hotel products. Delivering consistently exceptional guest experiences remains the focus at our hotels and differentiates them in a commoditised industry.

In each region, the group operates hotels across several well-recognised brands, servicing a variety of travellers seeking luxury, full service and economy offerings.
Business model continued

OPERATING MODEL continued

GEOGRAPHICAL FOOTPRINT

1 Southern Sun owns a minority interest in both IHL Holdco and RBH and accordingly hotels owned and managed by these entities are excluded from the footprint.
2 As per the group segmental analysis.
## PORTFOLIO SEGMENTATION

<table>
<thead>
<tr>
<th>Brand</th>
<th>Owned/leased</th>
<th>Managed</th>
<th>Total</th>
<th>Group revenue contribution</th>
<th>Group Ebitdar contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern Sun operated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manco¹</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td><strong>Coastal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>2</td>
<td>234</td>
<td>1</td>
<td>165</td>
<td>3</td>
</tr>
<tr>
<td>Full service</td>
<td>18</td>
<td>4 917</td>
<td>7</td>
<td>516</td>
<td>25</td>
</tr>
<tr>
<td>Economy</td>
<td>3</td>
<td>604</td>
<td>–</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td><strong>Inland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>4</td>
<td>753</td>
<td>2</td>
<td>384</td>
<td>6</td>
</tr>
<tr>
<td>Full service</td>
<td>16</td>
<td>3 474</td>
<td>7</td>
<td>678</td>
<td>23</td>
</tr>
<tr>
<td>Economy</td>
<td>3</td>
<td>396</td>
<td>3</td>
<td>373</td>
<td>6</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full service</td>
<td>2</td>
<td>138</td>
<td>8</td>
<td>889</td>
<td>10</td>
</tr>
<tr>
<td>Economy</td>
<td>21</td>
<td>1 689</td>
<td>–</td>
<td>–</td>
<td>21</td>
</tr>
<tr>
<td><strong>South Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>69</td>
<td>12 205</td>
<td>28</td>
<td>3 005</td>
<td>97</td>
</tr>
<tr>
<td><strong>Offshore</strong></td>
<td>6</td>
<td>961</td>
<td>4</td>
<td>746</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total 2022</strong></td>
<td>75</td>
<td>13 166</td>
<td>32</td>
<td>3 751</td>
<td>107</td>
</tr>
<tr>
<td><strong>Total 2021</strong></td>
<td>75</td>
<td>13 046</td>
<td>30</td>
<td>3 720</td>
<td>105</td>
</tr>
<tr>
<td><strong>Third-party operated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality owned</td>
<td>6</td>
<td>1 866</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total 2022</strong></td>
<td>6</td>
<td>1 866</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total 2021</strong></td>
<td>7</td>
<td>2 038</td>
<td>–</td>
<td>–</td>
<td>7</td>
</tr>
</tbody>
</table>

¹ Includes revenue generated by Manco and the elimination of internal management fees.
² As per the group segmental analysis.
Investment case

### WHY INVEST IN SOUTHERN SUN

<table>
<thead>
<tr>
<th></th>
<th>Quality assets</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>High-quality assets in key locations</td>
<td></td>
</tr>
<tr>
<td>[Image 56x448 to 206x630]</td>
<td>We operate high-quality hotels in which we invest significant capital to continually maintain and improve.</td>
<td></td>
</tr>
<tr>
<td>[Image 56x252 to 206x434]</td>
<td>The location of the majority of our hotel properties in urban areas throughout South Africa maximises public exposure and ensures access to critical supplies and services.</td>
<td></td>
</tr>
<tr>
<td>[Image 56x57 to 206x237]</td>
<td>The wide geographic distribution of our hotel properties in South Africa is mainly in key urban centres and is a fundamental market differentiator.</td>
<td></td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Vast majority of assets owned</td>
<td></td>
</tr>
<tr>
<td>[Image 56x420]</td>
<td>Our portfolio philosophy is based on a preference to own all components of the hotel businesses (land, buildings, operations, management and brand) wherever possible.</td>
<td></td>
</tr>
<tr>
<td>[Image 56x602]</td>
<td>Although this approach can be more capital intensive, we believe it facilitates superior returns on effort, avoids the challenges of joint ownership and ensures control over strategic assets is retained.</td>
<td></td>
</tr>
<tr>
<td>[Image 56x406]</td>
<td>Of the 113 hotels operated by the group, we own or lease 81 (representing 80% of our total rooms) and manage 32 for third parties.</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Responsive to customer needs</td>
<td></td>
</tr>
<tr>
<td>[Image 56x295]</td>
<td>We seek to deliver the high quality accommodation, conferencing, dining and eventing experiences that our guests desire.</td>
<td></td>
</tr>
<tr>
<td>[Image 56x203]</td>
<td>The Southern Sun frequentGuest programme with SunRands currency provides us with detailed information about trends across our customer base and the activities of individual clients. This enables us to improve our offering in response to changing consumer behaviour and to meet the demands of members more effectively.</td>
<td></td>
</tr>
</tbody>
</table>

1. High-quality assets
   - Location
   - Geographic distribution

2. The 81 hotels owned or leased by the group represent 80% of our total rooms

3. Participants in our frequentGuest programme contributed 36% (2021: 42%) of total rooms revenue for the year ended 31 March 2022
Within each region, the group operates hotels across a number of well-recognised brands, servicing a broad spectrum of travellers from luxury to economy.

Over our 53-year heritage, we have achieved strong recognition across the business and leisure markets in South Africa and Africa.

By having a centralised marketing department and plan, marketing spend at individual units can be re-directed, and in some cases rationalised, to focus on marketing initiatives that are beneficial across our entire portfolio. In recent years this has enabled efficiencies in our marketing efforts, reducing cost and improving brand alignment.

In order to withstand the impacts of macroeconomic cycles, we aim to ensure that debt is used prudently, with regular monitoring of our leverage ratios and other covenant requirements including interest cover and loan to value (LTV) ratios.

The group also ensures availability of sufficient credit facilities with long-term maturities, providing additional sources of liquidity.

We are committed to the upliftment and development of local communities. Key guiding principles in respect of the communities within which we operate commit us to actively engage in partnerships that bring measurable benefits to stakeholders, enable us to achieve our long-term business goals, and to support organisations which aim to strengthen and develop civil society.

During the year ended 31 March 2022, the group’s social investment in community development amounted to R11 million (2021: R5 million). This represents 7.1 percentage points (pp) more than the tourism sector code target.

We consider ourselves a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa.