Southern Sun

30 September 2022

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS

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 during the first six months of the 2023 financial year have been encouraging with occupancy increasing to 46.0% from 21.9% in the prior comparative period and the group returning to profitability with adjusted headline earnings of R17 million and free cash flow of R191 million from continuing operations.

South African system-wide room sales averaged 83% of pre-Covid-19 levels over the interim period, showing improvement across all regions and market segments, including leisure, government, corporates and groups and conferencing. During October 2022, the group achieved an occupancy of 59.2% across its owned hotel portfolio, the first time this level has been reached since March 2020 when the group initiated the deactivation of the majority of its portfolio in response to government regulation aimed at minimising the impact of the pandemic. The lifting of all remaining Covid-19 protocols by Health Minister, Joe Phaahla in June 2022 was a significant milestone and signalled the group's transition from survival to recovery.

An area where we have not seen the same improvement in activity levels is from the transient business traveller. We believe that this is a function of the depressed local economy and businesses holding back on travel spend.

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. The continuous load shedding has a significant impact on the group's operating costs and in the first six months of the 2023 financial year, the group has spent R13 million on diesel in our owned units alone. In comparison to the R1 million spent on diesel in the prior comparative six-month period, the combination of load shedding and increasing fuel prices is clearly harmful.

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 affects 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, which are the two segments missing from the group's recovery to pre-Covid-19 levels.

A promising development in the interim period 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 travelling to South Africa. This continuing trend 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 including the recent Welsh rugby tour to South Africa during July 2022 enjoyed by spectators across the country. In addition, the Rugby World Cup Sevens tournament was hosted in Cape Town in September 2022 and while this was a short three-day event, it did create excitement among South Africans and increased the country's visibility to international markets. 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.

Table 1: South African system-wide portfolio – trend in sale of rooms[2]

Months	April	May	June	July	August	September	October
Total rooms – system-wide FY23	191 463	210 446	194 208	220 972	212 627	246 402	267 721
Total rooms – system-wide FY22	117 952	112 361	93 117	55 280	100 693	138 941	167 967
Total rooms – system-wide FY21	–	–	9 687	20 117	33 710	66 268	88 370
Total rooms – system-wide FY20	239 377	237 090	251 186	262 886	263 352	288 360	286 017
FY23 as % of FY20[1]	80	89	77	84	81	85	94

[1] *The appropriate comparative to assess the group's progress towards normalised trading levels is FY20 as this year reflects system-wide rooms sold pre-Covid-19.*

[2] *The data in this table is indicative only, excludes externally managed rooms and has not been adjusted for changes in the hotel portfolio.*

Corporate activity

On 26 May 2022, the group announced two transactions, which, if successfully implemented, will materially reduce the group's gearing levels by some R900 million (depending on the US$/ZAR exchange rate) and strengthen our balance sheet so that we can maximise benefits from the recovery in trading.

The first of these transactions is the conclusion of the separation agreement with the Tsogo Sun Gaming Limited group (TSG), which gave TSG the right to terminate (on one months' notice) the various management and licencing agreements in respect of 15 hotels owned by TSG, for a once-off payment of R399 million (Separation Payment). The group also concluded a hotel properties and businesses acquisition agreement with TSG to acquire the Southern Sun Mbombela and StayEasy Mbombela hotels, which are important for the group's distribution in the Mpumalanga province, for an aggregate purchase consideration of R142 million. This transaction was approved at a Southern Sun shareholder meeting held on 18 August 2022 and implemented effective on 30 September 2022 with net proceeds of R248 million received on the same day. To date, management contracts over seven of the 15 hotels have been terminated, being the hotels at the Silverstar Casino, Gold Reef City Casino and Montecasino precincts. For further details refer to note 6.

At the same meeting, shareholders approved 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, having navigated the worst of the pandemic, the transaction with TSG presented the ideal opportunity to re-establish ourselves as the leading hospitality group in southern Africa and create excitement and optimism among our employees, suppliers and guests, all of whom have supported us throughout the past two years and have embraced the rebranding as a natural fit for the group.

The second transaction announced by the group was that its wholly owned subsidiary Southern Sun Africa (SSA) had entered into a Sale Agreement with Kasada Albatross Holding (the Purchaser), which is a subsidiary of Kasada Hospitality Fund LP. In terms of the Sale Agreement, the group committed to disposing of its entire 75.55% shareholding and shareholder loan claims in Ikoyi Hotels Limited (Ikoyi) which owns the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria (collectively, Ikoyi Hotels Disposal).

The aggregate disposal consideration per the agreement is US$30 million, comprising US$29 million for the shares and US$1 million for the shareholder loan claims, subject to customary working capital adjustments. In addition, the successful implementation of the disposal would result in the reduction of the group's US dollar-denominated debt (USD debt) through the deconsolidation of Ikoyi's external debt of US$13 million.

The Ikoyi Hotels Disposal is subject to the fulfilment (or waiver) of various conditions precedent, including the approval of the Federal Competition and Consumer Protection Commission in Nigeria and for the Purchaser to release the group from its guarantee obligations in respect of the external debt of Ikoyi. The Federal Competition and Consumer Protection Commission in Nigeria approved the transaction on 13 September 2022 and the group received the Certificate of Capital Importation from the Central Bank of Nigeria on 10 November 2022. The group continues to follow up on its release from the guarantee obligations in respect of the Ikoyi external debt, which is the only remaining condition still outstanding. For further information regarding the implications of the Ikoyi Hotel Disposal on the group, refer to notes 11 and 12. Given the status of the transaction, Ikoyi was classified as available for sale and disclosed as a discontinued operation. Refer to note 13 for further information.

Review of operations

Overall, the group's trading results have improved significantly from the prior comparative period, however, this is in the context of the Delta wave of Covid-19 infections which was accompanied by provincial travel restrictions and alcohol bans, as well as the civil unrest and violent protests in KwaZulu-Natal (KZN) and Gauteng both of which occurred in the prior period.

Total income from continuing operations for the interim period ended 30 September 2022 of R2.5 billion (2021: R919 million) ended R1.6 billion above the prior period with a R794 million and R325 million increase in hotel rooms' revenue and food and beverage revenue respectively. Other revenue ended R405 million above the prior period at R528 million and apart from the overall improvement in trading levels with management fee, conferencing, parking and spa income all increasing compared to the prior period, other revenue also includes the Separation Payment received on implementation of the transaction with TSG (refer to the *Corporate Activity* section) as per IFRS 15.

In addition, other revenue for the prior six months includes R63 million of contractual Covid-19-related revenue which did not recur in the current interim period. The group generated Ebitdar from continuing operations of R449 million (2021: R139 million which includes net business interruption insurance proceeds of R162 million), a R310 million increase on the prior period and equating to an Ebitdar margin of 21.6% (if the Separation Payment is excluded from total income). Excluding the proceeds of R390 million (excludes the amount receivable relating to Southern Sun Hemingways (refer to note 6)) received from TSG, the group generated cash of R206 million over the six-month period at an average room rate (ARR) of R1 164 and 46.0% occupancy, highlighting the impact of the cost restructuring undertaken over the past two years.

The management activities of the South African hotels, net of group corporate office costs, generated Ebitdar of R70 million (2021: R145 million) for the period. Excluding the insurance proceeds attributable to the South African hotel division of R179 million (R150 million net of provision raised) in the prior period, this performance results from a R55 million increase in internal and external management fee income due to improved trading levels, the release of R25 million (2021: Rnil) from the SunRands provision and increased central cost expenses of R5 million.

Rental income from investment properties of R58 million (2021: R7 million) relates to the five remaining investment properties not operated or managed by the group, four of which are hotels managed by third parties and the fifth is the Sandton Eye retail property. 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 R55 million compared to a R3 million rental income in the prior period which reflects the improvement in trading, particularly at the Birchwood Hotel and Conference Centre and the Radisson Blu Waterfront Hotel.

The ***Trading income – Westin and Gautrain*** segment which reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel, generated revenue of R177 million (2021: R46 million) and Ebitdar of R38 million (2021 loss: R25 million) for the period ended 30 September 2022. At The Westin Cape Town, the recovery in the corporate and groups segments resulted in Ebitdar of R33 million (2021 Ebitdar loss: R17 million) for the six months to September 2022. The Radisson Blu Gautrain Hotel which is largely dependent on corporate travel and small groups, recorded Ebitdar of R5 million (2021 Ebitdar loss: R8 million) for the six months to September 2022.

Overall, revenue generated by the ***internally managed*** South African hotel portfolio owned and leased by the group for the six months was R1.6 billion (2021: R762 million). This includes revenue from the Sandton Consortium hotels of R221 million (2021: R75 million).

All regions performed well relative to the prior period, given the impact of the Delta variant of Covid-19 and the rioting in KZN between June and July 2021. Various rugby tournaments and

government events along with the African Travel Indaba and the Mining Indaba in May 2022, made a significant contribution during the period, with the ***Coastal region*** generating revenue and Ebitdar of R844 million (2021: R412 million) and R137 million (2021 Ebitdar: R23 million) respectively, due to continued support from domestic leisure, sport and government business.

The corporate segment has been the slowest to return to pre-Covid-19 levels and as a result, the ***inland region*** has lagged behind other regions in terms of recovery, particularly in Gauteng. Outlying hotels recovered as government activity increases in the lead-up to elections, while the Rosebank node continued to struggle with little recovery in corporate travel. Despite this, government and groups and conferencing business made a considerable contribution, particularly in the outlying nodes, and this region recorded revenue of R649 million (2021: R251 million) and Ebitdar of R93 million (2021 Ebitdar loss: R17 million) for the six months ended 30 September 2022.

The ***other segment*** which includes the timeshare and SUN1 portfolios, generated revenue of R145 million (2021: R99 million) and Ebitdar of R22 million (2021 Ebitdar: R7 million). While the SUN1 portfolio continues to experience depressed occupancy levels due to its reliance on transient business travel, the timeshare portfolio has continued to perform well due to its leisure-focused offering, benefiting from domestic clientele.

Total revenue for the continuing operations in the ***offshore*** division of hotels of R178 million (2021: R89 million) for the six-month period 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 R31 million (2021 Ebitdar loss: R1 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 six months ended 30 September	2022	2021
Occupancy (%)	**46.0**	21.9
Average room rate (R)	**1 164**	999
RevPar (R)	**535**	219
Rooms available ('000)^	**2 538**	2 507
Rooms sold ('000)	**1 168**	549
Rooms revenue (Rm)*	**1 359**	548

^ *The increase in rooms available relates to the transfer of the Garden Court Victoria Junction with effect from October 2021, which moved from investment properties to owner-occupied property, plant and equipment.*

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

Property and equipment rental expense of R63 million (2021: R9 million) represents the variable portion of lease payments including the impact of rent concessions in the prior period and modifications. Excluding the impact of IFRS 16, the group incurred cash rent of R131 million for the six-month period compared to R72 million in the prior comparative period.

Exceptional gains for the period of R377 million (2021 loss: R3 million) relate to the Separation Payment received on implementation of the transaction with TSG (refer to the *Corporate Activity* section) net of losses on disposal of property, plant and equipment, trademark impairments and transaction costs totalling R22 million.

Management has assessed the fair value of the group's investment properties 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 2023 to March 2025 as the recovery in trading levels unfolds and normalises. In addition, various technical inputs were reviewed including the 10Y bond yield which has increased from 9.5% at 31 March 2022 to 10.9% as at 30 September 2022. Based on these factors, management is of the view that the increased cash flows generated from FY23 to FY25 as a result of the recovery in trading are offset by the increase in discount rate caused by the increase in the 10Y bond yield. Accordingly, management's assessment is that the values of investment properties, goodwill and property, plant and equipment are fairly stated at 30 September 2022 and no fair value adjustments, additional impairments or impairment reversals are required. The valuations of investment properties and impairment assessments of goodwill and property, plant and equipment, will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows. For further analysis, refer to notes 3 and 4.

Net finance costs of R175 million (2021: R175 million) includes interest on capitalised leases of R63 million (2021: R64 million) and have remained flat despite increasing interest rates. Given increasing cash generation over the period under review, the group reduced interest-bearing debt by R630 million, offsetting the impact of rising interest rates.

The share of profit from associates and joint ventures of R27 million (2021: R6 million) increased by R21 million, R11 million of which relates to fair value adjustments on interest rate hedges. The base can be attributable to improving trading conditions. Hotel trading in the UK has recovered quickly, particularly in the regional markets.

The income tax expense for the period of R97 million (2021 credit: R54 million) relates mainly to the tax raised on the Separation Payment received from TSG as well as increased

trading levels during the first six months of 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 R218 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 interim period at R17 million (2021 loss: R161 million) has improved by R178 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 remained unchanged from the prior period and the resultant adjusted headline earnings per share from continuing operations is 1.2 cents (2021 loss: 10.9 cents).

Net cash generated from operations for the interim period of R658 million (2021: R65 million) comprises profit before interest and income tax of R570 million (2021 loss: R52 million) and includes the Separation Payment received from TSG of R390 million and adjusted for non-cash movements of R359 million (2021: R228 million), decrease in working capital of R99 million (2021 increase: R63 million), net finance costs of R172 million (2021: R175 million) and income tax paid of R14 million (2021: R3 million). Cash flows utilised in investment activities of R191 million (2021: R14 million) consisted mainly of the acquisition cost of R142 million for the Southern Sun and StayEasy Mbombela hotels paid to TSG as well as maintenance capital expenditure of R34 million. Interest-bearing debt net of cash at 30 September 2022 totalled R2.5 billion, which is R315 million less than the 31 March 2022 balance of R2.8 billion.

Funding capacity and covenants

Lenders have been very supportive of the group and as previously reported, approved the covenant waivers for September 2022 on the basis that the rolling negative Ebitda (earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, share-based payment expense and exceptional items) threshold at company level be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period). In addition, the group must maintain a minimum liquidity level of R625 million including available facilities and cash on hand and revised covenants continue to be measured on a quarterly basis. The terms of the revised waiver relating to an event of default remain unchanged, i.e. an event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. The group met these covenant requirements for the measurement periods ended 30 June 2022 and 30 September 2022.

In March 2022, the group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements were met and that the group could meet its obligations. Of these extended debt facilities, a R500 million term loan maturing on 31 August 2023 has been reclassified to short-term borrowings. As a consequence of the Ikoyi Hotels Disposal, the Ikoyi debt of US$13 million (R231 million) has been reclassified to liabilities held for sale. Refer to note 13 for further details. The group is currently in the process of refinancing its debt package to simplify the structure, further extend the tenure and reintroduce normalised covenants. The leverage ratio and interest cover ratio for the initial covenant measurement period ending 31 March 2023, were set at less than 4.5 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. Based on the cash flow forecasts prepared by management (refer to note 3.1.2) and available facility headroom, there is no reason to believe that these covenants will not be met. Refer to note 11 for further details on the refinancing.

Going concern

The condensed unaudited consolidated interim financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken, or plans to take, as detailed herein, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. Refer to note 12 for further details.

As at 30 September 2022, the group has net cash and cash equivalents of R510 million, net of bank overdrafts (2021: R489 million). The group has R3.0 billion (2021: R3.5 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R2.1 billion in undrawn facilities to meet its obligations as they become due.

In preparing the cash flow forecasts utilised to assess going concern, the group's recovery from the impact of the Covid-19 pandemic was considered. Given the uncertainty around the length of time it would take for levels to recover to pre-Covid-19 levels, management incorporated a 5% revenue contingency into the forecasts. This contingency cannot be attributed to any division but has been incorporated at group level to stress test the group's going-concern assumption. Even after incorporating this contingency, the group can meet its debt obligations.

The board of directors of the company (directors) has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations over the next 12 months.

Prospects

In the short term, the group remains optimistic that trading levels will continue to improve throughout the summer season. Having recently completed our SunBreaks campaign, some interesting trends were highlighted. Sale bookings for Cape Town exceeded 2019 levels which we believe is due to the cost of flights – guests are booking early to secure cheaper flight prices. Sale bookings for KZN, however, were below 2019 levels and indicated that there is still a trend towards shorter lead-time bookings, particularly where holiday destinations are closer and travel costs are affordable.

In the medium term and in the face of inflationary cost pressures, the group will continue to focus on maintaining the cost efficiencies that were achieved through the restructuring that took place in response to the pandemic. As cash generation improves, the intention is to complete certain of the refurbishment projects that were placed on hold, particularly at flagship properties so that we avoid downtime during high-demand periods.

Dividend

The directors considered it prudent to retain cash resources to ensure that the group can meet its obligations until trading normalises. In line with the conditions of the covenant waivers received from lenders, the directors have not declared an interim cash dividend for the six-months ended 30 September 2022.

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 other than the matters disclosed in note 11 of these condensed unaudited consolidated interim financial statements, which are non-adjusting events and have no impact on the results for the six months ended 30 September 2022.

Presentation

Shareholders are advised that a presentation on the results for the six months ended 30 September 2022 will be held on Friday, 25 November 2022 at 10:00 via Microsoft Teams, and those wishing to join can find the link to the presentation on the company's website at **www.southernsun.com/investors**.

M von Aulock
Chief Executive Officer

L McDonald
Chief Financial Officer

24 November 2022

Notes to the condensed unaudited consolidated interim financial statements

for the six months ended 30 September

1 BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 30 September 2022 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim 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 unaudited consolidated interim financial statements. The accounting policies are consistent with IFRS, as well as those applied in the most recent audited financial statements as at 31 March 2022. The condensed unaudited consolidated interim 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 condensed unaudited consolidated interim financial statements for the six months ended 30 September 2022 have not been audited or reviewed by the company's auditors, PricewaterhouseCoopers Inc.

2 STANDARDS ISSUED NOT YET EFFECTIVE

Management has reviewed accounting standards issued and not yet effective and with the exception of amendments to IAS 1 *Presentation of Financial Statements on Classification of Liabilities as Current or Non-current*, amendments to IFRS 17 *Insurance Contracts*, 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* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, 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 on the following page.

3.1 Investment properties

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

	30 September 2022 Unaudited Rm	31 March 2022 Audited Rm
Opening net carrying amount	**1 450**	1 561
Additions to and development of investment properties	**9**	7
Transfer to owner-occupied property, plant and equipment[1]	**–**	(173)
Fair value adjustments recognised in profit or loss	**–**	55
Closing net carrying amount	**1 459**	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.*

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. Management has assessed the fair value of the group's investment properties 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 2023 to March 2025 as the recovery in trading levels unfolds and normalises. In addition, various technical inputs have been reviewed including the 10Y bond yield which has increased from 9.5% at 31 March 2022 to 10.9% as at 30 September 2022.

Based on these factors, management is of the view that the increased cash flows generated from FY23 to FY25 as a result of the recovery in trading are offset by the increase in discount rate caused by the increase in the 10Y bond yield. Accordingly, the fair value of investment properties is fairly stated at 30 September 2022 and no additional fair value adjustment is required. The valuation of investment properties will be reassessed at 31 March 2023 by an external appointed valuer.

3.1.2 Basis of preparation of cash flow forecasts

Management has adopted a conservative view and a slow recovery from the impact of Covid-19 has been forecast, and each property individually considered based on its 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 forecast for FY24 assuming a slow return of domestic and international corporate business during FY23H1 and volumes increasing steadily into FY23H2 as foreign inbound travel volumes increase ahead of the summer season. The forecasts assume no further Covid-19-related lockdown restrictions and that the corporate, conferencing and international segments have normalised somewhat, to reach pre-Covid-19 occupancy levels by FY25. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from 46.0% currently to 49.5% for FY23, increasing to 58.5% in FY24 and 61.1% in FY25, which is closer to the group's long-term occupancy levels. ARRs are assumed to increase by a compound annual revenue growth rate (CAGR) of 4.5% between FY23 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 10% per annum. Payroll costs were escalated by CPI +1.5%. No expansion capex has been forecast and maintenance capex has been reviewed by unit and prioritised to ensure that the properties are well maintained and in good condition.

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 30 September 2022, referenced against the three-month JIBAR of 6.5% (2021: 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 R14 million (2021 liability: R46 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 30 September 2022, the group's interest rate hedges have been assessed as effective.

4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Management has assessed the group's goodwill and property, plant and equipment for impairment by reviewing the cash flow forecasts for the period FY24 to FY28, which we believe adequately reflect cash flows generated by the underlying hotels for the years ending March 2023 to March 2025 as the recovery in trading levels unfolds and normalises. The cash flow forecasts for the South African and offshore properties were prepared on the basis set out in note 3.1.2 Basis of preparation of cash flow forecasts. In addition, various technical inputs have been reviewed including the 10Y bond yield which has increased from 9.5% at 31 March 2022 to 10.9% as at 30 September 2022.

Based on these factors, management is of the view that the increased cash flows generated from FY23 to FY25 as a result of the recovery in trading are offset by the increase in discount rate caused by the increase in the 10Y bond yield. Accordingly, management is of the view that the carrying values of goodwill and property, plant and equipment are fairly stated at 30 September 2022 and no additional impairments or impairment reversals are required. The impairment assessments of goodwill and property, plant and equipment, will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

5 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

5.1 Interest-bearing borrowings

Changes arising from financing activities for the six months ended 30 September 2022 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings, are as follows:

	Long term Rm	Short term Rm	Total Rm
Balance at 1 April 2022	**3 495**	**–**	**3 495**
Borrowings raised	**5**	**–**	**5**
Borrowings repaid	**(635)**	**–**	**(635)**
Currency translation	**160**	**–**	**160**
Reclassification to short-term borrowings	**(500)**	**500**	**–**
Reclassification to liabilities held for sale	**(231)**	**–**	**(231)**
Balance at 30 September 2022	**2 294**	**500**	**2 794**
Balance at 1 April 2021	2 991	485	3 476
Borrowings raised	379	100	479
Borrowings repaid	(448)	–	(448)
Currency translation	(17)	–	(17)
Reclassification to long-term borrowings	585	(585)	–
Other	5	–	5
Balance at 31 March 2022	3 495	–	3 495

In March 2022, the group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements were met and that the group could meet its obligations. Of these extended debt facilities, a R500 million term loan maturing on 31 August 2023 has been reclassified to short-term borrowings. The group is currently in the process of refinancing its debt package to simplify the debt structure, further extend the tenure and reintroduce normalised covenants. Refer to note 11 for further details on the refinancing.

As a consequence of the Ikoyi Hotels Disposal, the Ikoyi debt of US$13 million (R231 million) has been reclassified to liabilities held for sale. Refer to note 13 for further details.

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
At 1 April 2022	**1 349**	**11**	**1 360**
New leases raised	**67**	**3**	**70**
Principal elements of lease payments	**–**	**(12)**	**(12)**
Modification of lease contract	**3**	**6**	**9**
At 30 September 2022	**1 419**	**8**	**1 427**

Total cash outflow of R63 million (2021: R64 million) relating to finance costs has been included in cash flows from operating activities.

	Non-current portion Rm	Current portion Rm	Total Rm
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 months' notice) the various management and licencing 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 hotels, 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 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, were fulfilled by the end of August 2022 and the TSG Transaction was implemented with effect from 30 September 2022. Excluding the Separation Payment relating to the Southern Sun Hemingways management contract of R9 million, the net cash inflow to the group on 30 September 2022 was R248 million. The approval of the Eastern Cape Gambling Board is expected before 31 March 2023 and accordingly, a receivable has been recognised for the balance due, however, should the approval not be received by this date, the group's management contract over the Southern Sun Hemingways will continue and the receivable released.

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

	2022 Rm	2021 Rm
Hotel management fees and royalties received from Tsogo Sun Gaming	**22**	11
Management fees received from Tsogo Sun Gaming for shared services	**3**	1
Fees received from Tsogo Sun Gaming for administration services for hotels	**12**	8
Management fees paid to Tsogo Sun Gaming for shared services	**(1)**	(2)
Tenant recoveries by Tsogo Sun Gaming	**(2)**	(2)
Insurance claims received from Tsogo Sun Gaming	**–**	179
Purchase of Southern Sun and StayEasy Mbombela from Tsogo Sun Gaming	**(142)**	–
Separation Payment received from Tsogo Sun Gaming	**399**	–
Amounts receivable from Tsogo Sun Gaming and its subsidiaries	**7**	6
Shareholder loans to associate – IHL Holdco Limited[1]	**69**	–
Shareholder loans to associate – IHL Limited	**–**	38
Loan due to fellow shareholder in associate (IHL) – RDI[1]	**(35)**	–

[1] *In December 2021, International Hotel Properties Limited (IHL) underwent an organisational restructuring which resulted in the group exchanging its 25.9% interest in IHL for a 25.9% interest in IHL Holdco (IHL's ultimate holding company) and assigning all shareholder loans previously advanced to IHL to IHL Holdco. This share exchange resulted in no material gain or loss for the group. The organisational restructure was to facilitate the refinancing of IHL's debt package. The group opted not to participate in the refinancing given cash constraints at the time and as a result, IHL Holdco's majority shareholder RDI Hotel Group advanced the total shareholder proportion of IHL's refinancing, R35 million of which was on the group's behalf.*

The group had 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 in the period ended 30 September 2022.

The lease relating to Garden Court East London was extended for an additional ten 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.

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 segmentation or 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. Refer to note 13 for further details.

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 earning adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. Finance income and finance costs are not included in the results for each operating segment, as this is driven by the group treasury function which manages the cash and debt position of the group.

9 CAPITAL COMMITMENTS

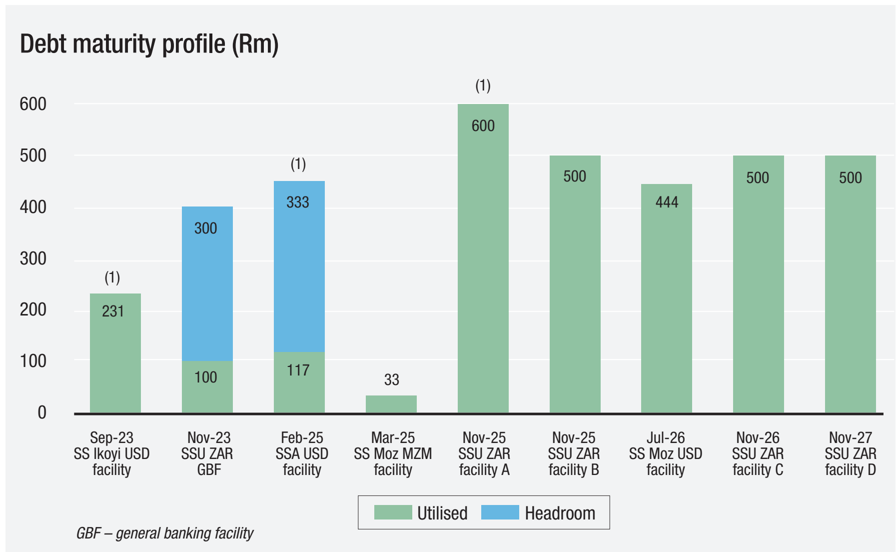
The group spent R176 million on maintenance and expansion capex for the six months ended 30 September 2022. The group has committed capital spend of R54 million, of which the majority relates to the activation of certain refurbishments.

10 CONTINGENT LIABILITIES

The group had no significant contingent liabilities as at 30 September 2022.

11 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Having successfully extended all group debt facilities expiring during the 2023 financial year, the refinancing of the group's debt package in order to simplify the security structure, extend facility tenure and reintroduce normalised covenants which take into consideration that the group is still in the recovery phase following the impact of Covid-19, is being finalised. The group will continue to be multi-banked with exposure to all four major South African banks and lenders have obtained credit approval to implement the refinancing with funds flow expected to occur on or about 30 November 2022. A high-level summary of the group facilities after the refinancing using closing interest-bearing debt balances as at 30 September 2022 and assuming the funds flow occurs on 30 November 2022, is set out below.



The initial covenant requirements for the 31 March 2023 measurement period are a leverage ratio (net debt to Ebitda) of less than 4.5 and an interest cover ratio (Ebitda to net interest) of more than 2.0.

(1) Should the Ikoyi Hotels Disposal be implemented, the US$13 million Ikoyi debt will be taken on by the Purchaser while the equity and loans proceeds of US$32 million (R571 million) is assumed to be allocated towards the settlement of the SSA USD facility of R117 million and the balance applied towards the settlement of SSU ZAR facility A. Due to the debt reduction, the leverage ratio covenant for the 31 March 2023 measurement period will be revised to be less than 3.75.

12 GOING CONCERN

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

12.1 Financial capacity and covenants

Lenders have been very supportive of the group and as previously reported, approved the covenant waivers for September 2022 on the basis that the rolling negative Ebitda threshold at company level be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period). In addition, the group must maintain a minimum liquidity level of R625 million including available facilities and cash on hand and revised covenants continue to be measured on a quarterly basis. The terms of the revised waiver relating to an event of default remain unchanged, i.e. an event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. The group met these covenant requirements for the measurement periods ending 30 June 2022 and 30 September 2022.

In March 2022, the group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements were met and that the group could meet its obligations. Of these extended debt facilities, a R500 million term loan maturing on 31 August 2023 has been reclassified to short-term borrowings. As a consequence of the Ikoyi Hotels Disposal, the Ikoyi debt of US$13 million (R231 million) has been reclassified to liabilities held for sale. Refer to note 13 for further details. The group is currently in the process of refinancing its debt package to simplify the structure, further extend the tenure and reintroduce normalised covenants. The leverage ratio and interest cover ratio for the initial covenant measurement period ending 31 March 2023, has been set at less than 4.5 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. Based on the cash flow forecasts prepared by management (refer to note 3.1.2) and available facility headroom, there is no reason to believe that these covenants will not be met. Refer to note 11 for further details on the refinancing.

As at 30 September 2022, the group has net cash and cash equivalents of R510 million, net of bank overdrafts (2021: R489 million). The group has R3.0 billion (2021: R3.5 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R2.1 billion in undrawn facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the group's recovery from the impact of the Covid-19 pandemic and the consequential improvement in Ebitda and liquidity was considered. Refer to note 3.1.2 Basis of preparation of cash flow forecasts for further details. Based on the current improved trading levels as well as the forecasts, which indicate recovery in the corporate, conferencing and international segments during the 2023 and 2024 financial years, management believes that the company should meet the covenant levels set out in the refinanced debt package.

13 DISCONTINUED OPERATIONS

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the respective assets and liabilities of SS Ikoyi Limited and Ikoyi Hotels Limited have been presented as held for sale, the results from the discontinued operations have been disclosed separately and the prior year income statement, statement of other comprehensive income and cash flow statement, and the respective notes, have been restated.

	2022 Rm	2021 Rm
Profit attributable to discontinued operations for the six months ended 30 September		
Revenue	**67**	40
Amortisation and depreciation	**(4)**	(4)
Employee costs	**(13)**	(9)
Other operating expenses	**(35)**	(25)
Operating profit	**15**	2
Net finance costs	**(5)**	(3)
Profit/(loss) before income tax	**10**	(1)
Income tax credit/(expense)	**–**	–
Profit/(loss) for the six months from discontinued operations	**10**	(1)
Exchange differences on translation of discontinued operations	**160**	13
Other comprehensive income from discontinued operations	**170**	12

Notes to the condensed unaudited consolidated interim financial statements *continued*

for the six months ended 30 September

	2022 Rm
The net carrying amount of assets and liabilities classified as held for sale as at 30 September 2022	
Non-current assets	
Property, plant and equipment	911
Deferred income tax assets	54
Current assets	
Inventory	4
Trade and other receivables	20
Cash and cash equivalents	69
Total assets classified as held for sale	1 058
Non-current liabilities	
Interest-bearing borrowings	(231)
Current liabilities	
Trade and other payables	(29)
Provisions	(1)
Current income tax liabilities	(5)
Total liabilities classified as held for sale	(266)

	2022 Rm	2021 Rm
Net cash flows attributable to discontinued operations for the six months ended 30 September		
Net cash generated from operating activities	15	4
Net cash utilised for investment activities	(2)	–
Net cash generated by financing activities	–	–
Net cash generated by discontinued operations	13	4

Condensed consolidated income statement

for the six months ended 30 September

	Change %	2022 Unaudited Rm	2021 Unaudited Restated[1] Rm
Rooms revenue	152	**1 318**	524
Food and beverage revenue	134	**567**	242
Property rental income		**68**	30
Other revenue		**528**	123
Income	170	**2 481**	919
Property and equipment rentals		**(63)**	(9)
Amortisation and depreciation		**(192)**	(181)
Employee costs		**(623)**	(345)
Other operating expenses		**(1 033)**	(627)
Insurance proceeds received		**–**	191
Operating profit/(loss)		**570**	(52)
Finance income		**16**	6
Finance costs		**(191)**	(181)
Share of profit of associates		**27**	6
Profit/(loss) before income tax		**422**	(221)
Income tax (expense)/credit		**(97)**	54
Profit/(loss) for the period from continuing operations		**325**	(167)
Profit/(loss) for the period from discontinued operations		**10**	(1)
Profit/(loss) for the period		**335**	(168)
Profit/(loss) attributable to:			
Equity holders of the company		**334**	(162)
From continuing operations		**325**	(161)
From discontinued operations		**9**	(1)
Non-controlling interests		**1**	(6)
From continuing operations		**–**	(6)
From discontinued operations		**1**	–
		335	(168)
Basic and diluted profit/(loss) attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		**1 478**	1 478
Weighted number of shares in issue (million)		**1 478**	1 478
From continuing operations		**22.0**	(10.9)
From discontinued operations		**0.6**	(0.1)
Basic and diluted profit/(loss) per share (cents)		**22.6**	(11.0)

[1] *Restated for discontinued operations – refer to note 13.*

Condensed consolidated statement of comprehensive income

for the six months ended 30 September

	2022 Unaudited Rm	2021 Unaudited Restated[1] Rm
Profit/(loss) for the period	**335**	(168)
Other comprehensive income/(loss) for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:	**359**	62
Cash flow hedges	**27**	22
Currency translation adjustments on continuing operations	**179**	33
Currency translation adjustments on discontinued operations	**160**	13
Income tax relating to items that may subsequently be reclassified to profit or loss	**(7)**	(6)
Total comprehensive income/(loss) for the period	**694**	(106)
Total comprehensive income/(loss) attributable to:		
Equity holders of the company	**693**	(100)
Non-controlling interests	**1**	(6)
	694	(106)
Total comprehensive income/(loss) attributable to equity holders:		
Continuing operations	**524**	(112)
Discontinued operations	**169**	12

[1] *Restated for discontinued operations – refer to note 13.*

Supplementary information

for the six months ended 30 September

	Continuing operations		Discontinued operations	
	2022 Unaudited Rm	2021 Unaudited Restated[1] Rm	**2022 Unaudited Rm**	2021 Unaudited 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	**325**	(161)	**9**	(1)
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of trademark	**6**	–	**–**	–
Headline profit/(loss)[3, 4]	**336**	(160)	**9**	(1)
Separation Payment	**(399)**	–	**–**	–
Transaction cost	**11**	–	**–**	–
Restructuring costs (including termination benefits)	**–**	2	**–**	–
Share of associates' exceptional items	**(11)**	(3)	**–**	–
Total tax effects of other exceptional items	**80**	–	**–**	–
Adjusted headline profit/(loss)[2, 3]	**17**	(161)	**9**	(1)
Number of shares in issue (million)	**1 478**	1 478	**1 478**	1 478
Weighted number of shares in issue (million)	**1 478**	1 478	**1 478**	1 478
Basic and diluted headline profit/(loss) per share (cents)	**22.7**	(10.8)	**0.6**	(0.1)
Basic and diluted adjusted headline profit/(loss) earnings per share (cents)	**1.2**	(10.9)	**0.6**	(0.1)

[1] *Restated for discontinued operations – refer to note 13.*

[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 audited at year end and is commonly used in the industry.*

[3] *Net insurance proceeds after tax of R118 million has been included in the group's headline loss and adjusted headline loss for the six months ended 30 September 2021. 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 30 September 2020.*

[4] *The Separation Payment of R399 million (R313 million net of tax) has been included in the group's headline profit for the six months ended 30 September 2022.*

Supplementary information *continued*

for the six months ended 30 September

	Continuing operations		Discontinued operations	
	2022 Unaudited Rm	2021 Unaudited Restated[1] Rm	**2022 Unaudited Rm**	2021 Unaudited Restated[1] Rm
Reconciliation of operating profit/(loss) to Ebitdar				
Ebitdar pre-exceptional items is made up as follows:				
Operating profit/(loss)	**570**	(52)	**15**	2
Amortisation and depreciation	**192**	181	**4**	4
Property rentals	**56**	1	**–**	–
Share-based payment expense	**8**	6	**–**	–
	826	136	**19**	6
Add/(less): Exceptional losses[2]/(gains)				
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of trademark	**6**	–	**–**	–
Separation Payment	**(399)**	–	**–**	–
Transaction/restructuring costs	**11**	2	**–**	–
Ebitdar	**449**	139	**19**	6

[1] *Restated for discontinued operations – refer to note 13.*

[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 six months ended 30 September

	2022 Unaudited Rm	2021 Unaudited Restated[1] Rm
Cash flows from operating activities		
Profit/(loss) before interest and income tax	**570**	(52)
Adjust for non-cash movements	**359**	228
(Decrease)/increase in working capital	**(99)**	63
Cash generated from operations	**830**	239
Finance income	**16**	6
Finance costs	**(188)**	(181)
Income tax paid	**(14)**	(3)
Dividends paid	**(1)**	–
Cash flows from operating activities – discontinued operations	**15**	4
Net cash generated from operating activities	**658**	65
Cash flows from investment activities		
Purchase of property, plant and equipment – replacement	**(39)**	(17)
Purchase of property, plant and equipment – expansionary	**(142)**	–
Proceeds from disposals of property, plant and equipment	**1**	1
Additions to investment property	**(9)**	–
Other loans and investments disposed of	**–**	2
Net cash utilised for investment activities – discontinued operations	**(2)**	–
Net cash utilised in investment activities	**(191)**	(14)
Cash flows from financing activities		
Borrowings raised	**5**	477
Borrowings repaid	**(635)**	(440)
Principal element of lease payments	**(12)**	(7)
Net cash generated from financing activities – discontinued operations	**–**	–
Net cash (utilised for)/generated from financing activities	**(642)**	30
Net (decrease)/increase in cash and cash equivalents	**(175)**	81
Cash and cash equivalents at beginning of the period, net of bank overdrafts	**665**	407
Foreign currency translation	**20**	1
Cash and cash equivalents at end of the period, net of bank overdrafts	**510**	489
Included in cash and cash equivalents per the balance sheet	**441**	467
Included in the assets that are held for sale	**69**	22
Cash and cash equivalents at the end of the period, net of bank overdrafts	**510**	489

[1] *Restated for discontinued operations – refer to note 13.*

Condensed consolidated balance sheet

	30 September 2022 Unaudited Rm	31 March 2022 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**8 475**	8 878
Right-of-use assets	**1 022**	984
Investment properties	**1 459**	1 450
Goodwill	**354**	354
Other intangible assets	**37**	48
Investments in associates	**352**	325
Post-employment benefit assets	**2**	2
Derivative financial instruments	**14**	–
Non-current receivables	**14**	14
Deferred income tax assets	**218**	298
Total non-current assets	**11 947**	12 353
Current assets		
Inventories	**71**	69
Trade and other receivables	**452**	470
Other income tax assets	**8**	8
Cash and cash equivalents	**441**	707
Non-current assets held for sale	**1 058**	–
Total current assets	**2 030**	1 254
Total assets	**13 977**	13 607
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**5 333**	5 333
Other reserves	**2 195**	1 828
Retained earnings	**382**	48
Total shareholders' equity	**7 910**	7 209
Non-controlling interests	**98**	97
Total equity	**8 008**	7 306

	30 September 2022 Unaudited Rm	31 March 2022 Audited Rm
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**2 294**	3 495
Lease liabilities	**1 419**	1 349
Derivative financial instruments	**–**	4
Deferred income tax liabilities	**262**	262
Deferred revenue	**22**	29
Provisions	**60**	67
Total non-current liabilities	**4 057**	5 206
Current liabilities		
Interest-bearing borrowings	**500**	42
Lease liabilities	**8**	11
Trade and other payables	**976**	838
Deferred revenue	**44**	58
Current portion derivative financial instruments	**–**	9
Provisions	**70**	88
Current income tax liabilities	**48**	49
Liabilities classified as held for sale	**266**	–
Total current liabilities	**1 912**	1 095
Total liabilities	**5 969**	6 301
Total equity and liabilities	**13 977**	13 607

Condensed consolidated statement of changes in equity

for the six months ended 30 September

	Attributable to equity holders of the company					
	Ordinary share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 March 2021	5 333	1 805	205	**7 343**	97	**7 440**
Total comprehensive income	–	62	(162)	**(100)**	(6)	**(106)**
Loss for the year	–	–	(162)	**(162)**	(6)	**(168)**
Cash flow hedges, net of tax	–	16	–	**16**	–	**16**
Currency translation adjustment	–	46	–	**46**	–	**46**
Share-based payments charge	–	6	–	**6**	–	**6**
Balance at 30 September 2021	5 333	1 873	43	**7 249**	91	**7 340**
Balance at 31 March 2022	5 333	1 828	48	**7 209**	97	**7 306**
Total comprehensive income	–	359	334	**693**	1	**694**
Profit for the year	–	–	334	**334**	1	**335**
Cash flow hedges, net of tax	–	20	–	**20**	–	**20**
Currency translation adjustment	–	339	–	**339**	–	**339**
Share-based payments charge	–	8	–	**8**	–	**8**
Balance at 30 September 2022	**5 333**	**2 195**	**382**	**7 910**	**98**	**8 008**

Segmental analysis

for the six months ended 30 September

	Revenue[2]		Ebitdar[3]		Ebitdar margin	
	2022 Rm	2021 Restated[1] Rm	2022 Rm	2021 Restated[1] Rm	2022 %	2021 Restated[1] %
Continuing operations						
Manco total	**496**	41	**70**	145	**14**	354
Manco	**97**	41	**70**	(5)	**72**	(12)
Separation Payment	**399**	–	**–**	–	**–**	–
Business interruption insurance[7]	**–**	–	**–**	150	**–**	–
Rental income[6, 8]	**58**	7	**58**	7	**100**	100
Trading income – Westin and Gautrain[5]	**177**	46	**38**	(25)	**21**	(54)
Internally managed[6]	**1 638**	762	**252**	13	**15**	2
Coastal	**844**	412	**137**	23	**16**	6
Inland	**649**	251	**93**	(17)	**14**	(7)
Other	**145**	99	**22**	7	**15**	7
Offshore[7]	**178**	89	**31**	(1)	**17**	(1)
Internal management fees[4]	**(66)**	(31)	**–**	–	**–**	–
Total	**2 481**	914	**449**	139	**18**	15
Discontinued operations						
Offshore	**67**	40	**19**	6	**28**	15
Group, including discontinued operations	**2 548**	954	**468**	145	**18**	15

[1] *Restated for discontinued operations – refer to note 13.*

[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 26.*

[4] *Included in Manco Ebitdar.*

[5] *This segment reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel.*

[6] *Trading relating to Garden Court Victoria Junction which moved from investment properties to owner-occupied property, plant and equipment during the prior year, Garden Court Victoria Junction was included in the Rental income segment in the prior six months ended 30 September 2021 (2021: total rental income from the hotel was R4 million).*

[7] *Ebitdar for the period ended 30 September 2021 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 R29 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.*

[8] *Following the group's acquisition of 100% interest in Hospitality, and the decrease in rental income due to the decrease in externally managed properties, the CODM has changed the basis of review regarding property rates, taxes and other costs recovered from Hospitality. The CODM now reviews the Rental income segment before deducting property rates, taxes and other costs recovered from Hospitality. Had the segment been reviewed on a similar basis in 2021, the Rental income revenue and Ebitdar would have amounted to R12 million.*

Revenue from contracts with customers

for the six months ended 30 September

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

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue[2]		Revenue from external customers	
	2022 Rm	2021 Restated[1] Rm	**2022 Rm**	2021 Restated[1] Rm	**2022 Rm**	2021 Restated[1] Rm	**2022 Rm**	2021 Restated[1] Rm
Continuing operations								
Internally managed	**1 203**	478	**515**	218	**89**	94	**1 807**	790
Coastal	**666**	259	**265**	111	**41**	58	**972**	428
Inland	**448**	163	**216**	82	**27**	33	**691**	278
Other	**89**	56	**34**	25	**21**	3	**144**	84
Manco	**–**	–	**–**	–	**428**	10	**428**	10
Offshore	**115**	46	**52**	24	**11**	19	**178**	89
	1 318	524	**567**	242	**528**	123	**2 413**	889
Discontinued operations								
Offshore	**42**	24	**23**	15	**2**	1	**67**	40
	1 360	548	**590**	257	**530**	124	**2 480**	929

Reconciliation to segmental analysis on page 31:	**2022 Rm**	2021 Restated[1] Rm
Continuing operations	**2 481**	914
Revenue from contracts with customers per above	**2 413**	889
Property rental income	**68**	30
Reallocation of rates and taxes and costs recovered from Hospitality	**–**	(5)
Discontinued operations – Revenue from contracts with customers per above	**67**	40
Total income per segmental analysis	**2 548**	954

[1] *Restated for discontinued operations – refer to note 13.*

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

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*

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

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		

The Oak Tree Group

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