Southern Sun

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED **30 SEPTEMBER 2024**

COMMENTARY

We are encouraged by the continued improvement in trading volumes over the six months ended 30 September 2024 and particularly strong trading in the month of September 2024.

The group's rooms revenue growth of 7% to R1.99 billion (2023: R1.86 billion) has been supported by average room rate (ARR) growth of 3% (pre-frequentGuest adjustment) and an increase in occupancy of 2.6pp to 58.9% for the six months ended 30 September 2024, compared to the prior comparative period.

Food and beverage revenue was up 4% to R760 million (2023: R730 million) in line with occupancy growth, property rental income has grown by 21% to R114 million (2023: R94 million) while other revenue has decreased by 6% to R142 million (2023: R151 million) primarily due to once-off cancellation revenue in the prior period.

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	**2024**	2023[1]
Occupancy (%)	**58.9**	56.3
Average room rate (R)	**1 338**	1 297
RevPar (R)*	**789**	730
Rooms available ('000)	**2 518**	2 546
Rooms sold ('000)	**1 484**	1 432
Rooms revenue (Rm)	**1 986**	1 858
frequentGuest loyalty expense[1] (Rm)	**(36)**	(43)
Rooms revenue per the income statement (Rm)	**1 950**	1 815

* *RevPar – revenue per available room.*

[1] *The net cost of the group's frequentGuest loyalty programme for the six months ended 30 September 2023 has been reallocated from Other revenue to Rooms revenue which is in line with the requirements of IFRS 15 and has no impact on the group's total revenue.*

While these trading statistics appear subdued, there are three main contributing factors. Firstly, the 15th BRICS Summit hosted at the Sandton Convention Centre during August 2023, which led to a substantial demand for accommodation at the surrounding hotels, did not repeat in the current financial year.

Secondly, the closure of Southern Sun Cullinan for June 2024 and the Sandton Towers from 26 April 2024 to the end of the interim reporting period reduced the group's available room stock, negatively impacting occupancy and rates and consequently, revenue. These closures are necessary to complete major refurbishments that will relaunch these flagship properties as premium hotels in their respective markets.

Finally, there was a slowdown in travel and accommodation demand from the corporate, government and leisure segments in the lead-up to the national elections in May 2024. While corporate and leisure demand returned post-elections, the government segment has been slower to normalise which we anticipate will happen during the second half of the financial year. Recent announcements by the Department of Home Affairs regarding the simplification of visa processes are encouraging developments for the South African tourism industry.

Overall, the group's operating costs were tightly controlled over the six-month period ended 30 September 2024 increasing by 5% compared to the prior comparative period. The suspension of load shedding resulted in a saving of R23 million on diesel, offset by a R19 million increase in electricity costs largely due to tariff increases.

The group's operational gearing is reflected in the 10% increase in Ebitdar to R822 million (2023: R745 million) for the six months ended 30 September 2024, equating to an Ebitdar margin of 28% compared to 27% for the prior comparative period.

Review of operations

During the period under review, the group re-evaluated its segmentation and allocated the hotels within the Investment property segment into their respective geographic locations. Geographic segmentation better reflects the source of the group's revenue and Ebitdar and the market dynamics impacting those regions. Birchwood Hotel & OR Tambo Conference Centre (Birchwood) and Kopanong Hotel & Conference Centre (Kopanong) are now included in the Gauteng segment, Radisson Blu Waterfront is included in the Western Cape segment and Champagne Sports Resort forms part of the KZN segment. Results for the prior reporting period have been restated accordingly.

The Sandton Consortium segment remains unchanged and reflects the trading performance of the Sandton Sun and Towers complex and the Garden Court Sandton City, along with management fee income earned from the Sandton Convention Centre. This segment generated revenue of R318 million (2023: R333 million) and Ebitdar of R99 million (2023: R105 million). The decline in revenue (5%) and Ebitdar (6%) is attributable to the non-recurrence of the BRICS Summit as well as the closure of Sandton Towers for a full bedroom and corridor refurbishment expected to be completed by November 2024.

Revenue from the Western Cape has grown by 14% to R861 million (2023: R757 million) while Ebitdar increased by 25% to R277 million (2023: R221 million) from the prior comparative period, with the region contributing 34% to overall group Ebitdar for the six months ended 30 September 2024. Cape Town has benefited from foreign inbound travel and large-scale conferences and events across all segments, which boosts demand for accommodation and drives both volume and rate growth in the region.

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The domestic and international corporate transient travel segments have recovered well over the interim period with demand for conferencing and events bolstering hotels located in prime business hubs near OR Tambo International Airport or Sandton Convention Centre. By leveraging our relationships with sporting bodies, corporates and government and with a refurbished restaurant and bedrooms, the Southern Sun Sandton has gained traction in the market and trading levels have significantly improved. The group's revenue and Ebitdar from Gauteng for the six months ended 30 September 2024 amounted to R785 million (2023: R664 million) and R232 million (2023: R172 million) respectively, a 18% and 35% improvement on the prior comparative period.

The revenue and Ebitdar contributions from KwaZulu-Natal were R490 million (2023: R530 million) and R120 million (2023: R164 million) a decline of 8% and 27% respectively. The group's hotels located on the Durban beachfront are geared towards groups and transient business from corporates (including sporting bodies) and government, and demand from these segments slowed in the lead-up to, and immediately post, the national elections in May 2024.

Infrastructure and safety concerns have impacted Durban's desirability as a tourist destination, however, there have been positive steps made towards correcting this perception. Umhlanga continues to perform well and as a key growth node to the group, opportunities to increase its room stock in the region are continuously evaluated.

The Other segment includes hotels situated in Mpumalanga, Eastern Cape, Kimberley, Bloemfontein and Polokwane. Like in Durban, these hotels are weighted towards corporate (including sporting bodies) and government groups and transient business both of which were negatively impacted by the national elections. We expect demand to return in the second half of the year. This segment generated revenue and Ebitdar for the six months ended 30 September 2024 of R341 million (2023: R333 million) and R87 million (2023: R92 million) respectively, a 5% decline in Ebitdar.

Total revenue for the Offshore division of hotels of R207 million (2023: R213 million) for the six months ended 30 September 2024 largely relates to the Southern Sun and StayEasy Maputo, Mozambique which had a disappointing first six months due to the lack of corporate demand and security concerns relating to the Mozambican national election. This has continued to escalate with threats of political protesting resulting in the closure of the borders between Mozambique and South Africa, which has had a significant adverse impact on trading levels in both hotels. The second largest contributor to Ebitdar for this segment is Paradise Sun, Seychelles which has met performance expectations 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 which declined notably immediately before and after the South African national election. In response to these dynamics, expenses have been tightly controlled despite severe load shedding in this region. Southern Sun Dar es Salaam, Tanzania, the only group hotel still closed since the Covid-19 pandemic, re-opened on 5 October 2024. Exceptional losses for the year of R13 million (2023: Rnil) relate to the pre-opening expenses incurred by Southern Sun Dar-es-Salaam. The Offshore division generated Ebitdar of R39 million (2023: R41 million).

The Manco segment is an unallocated cost centre and the revenue for this segment reflects the net impact of how the group accounts for its frequentGuest loyalty rewards programme.

Property and equipment rental expense of R66 million (2023: R94 million) represents the variable portion of lease payments. Excluding the impact of IFRS 16, the group incurred cash rent of R170 million for the six months ended 30 September 2024 compared to R168 million in the prior period. The overall reduction in the IFRS 16 rental expense relates to the remeasurement of the Sandton Consortium leases as at 31 March 2024, refer to note 7 for further details.

Amortisation and depreciation for the six months ended 30 September 2024 of R194 million (2023: R190 million) includes depreciation of capitalised leases of R46 million (2023: R42 million). Amortisation and depreciation excluding depreciation of capitalised leases has remained flat compared to the prior comparative period.

Net finance costs of R115 million (2023: R139 million) include interest on capitalised leases of R67 million (2023: R68 million). The cash saving in net finance costs of R21 million is attributable to the reduction in the group's net interest-bearing debt levels with further savings anticipated as interest rates decline and the group continues to settle debt.

The share of profit from associates of R21 million (2023: R26 million) includes the group's share of the profit on disposal of investment properties owned by International Hotels Limited (IHL) of R6 million (2023: Rnil) net of fair value losses on interest rate hedges of R3 million (2023: Rnil). Excluding these exceptional items, the underlying performance of the group's investments in the UK has declined from R26 million to R18 million for the six months ended 30 September 2024. This contraction is attributable to the reduced size of the IHL portfolio with three properties disposed of over the past year offset by strong performance from the managed RBH portfolio over the period. The group received dividends of R28 million during the period under review, R21 million of which relates to the group's share of the proceeds on disposal of the Holiday Inn Express Dunstable owned by IHL.

The income tax expense for the six months ended 30 September 2024 of R123 million (2023: R93 million) is in line with the increase in profits. Certain of the group's operating subsidiaries remain in assessed loss positions, however, these are being utilised as trading improves. Deferred income tax assets have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The 19% increase in operating profits together with finance cost savings has resulted in a 31% growth in adjusted headline earnings for the six months ended 30 September 2024 to R334 million (2023: R255 million). The weighted average number of shares in issue has reduced from the prior reporting period due to the group's acquisition of 135 million Southern Sun Limited (SSU) shares between May 2023 and March 2024 and the resultant adjusted headline earnings per share (AHEPS) is 25.0 cents (2023: 18.0 cents), an increase of 39%.

Funding capacity and covenants

Interest-bearing debt net of cash at 30 September 2024 totalled R995 million, which is R29 million less than the 31 March 2024 balance of R1.0 billion, mainly due to the payment of a maiden dividend of R167 million in May 2024 and the increased cash outflow on major refurbishment projects at Southern Sun Cullinan, Southern Sun Rosebank and Southern Sun Sandton. Capital expenditure of R237 million (2023: R149 million) and increased income tax payments of R136 million (2023: R90 million) resulted in a reduction in free cash flow to R154 million compared to R289 million in the prior comparative period. The group considers the refurbishment of these flagship properties to be important to positioning these hotels as premium products ahead of anticipated economic growth. The group was well within covenant requirements for the six months ended 30 September 2024, achieving a leverage ratio (net debt to Ebitda) of 0.6 times and an interest cover ratio of 8.4 times.

Going concern

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

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

Prospects

These results reflect the impact of the decisions taken by the group, amid and during its recovery, from the pandemic. The complete cost restructuring undertaken has meant that the group was able to deliver 10% Ebitdar growth from 6% income growth. Similarly, the reduction in debt levels and related finance cost savings, together with the share buyback implemented during the 2024 financial year has resulted in a 39% growth in AHEPS.

The group's overall occupancy achieved during the month of September 2024 at 68.2% is encouraging, and reflects an increasing demand by both international and domestic corporate group and transient as well as leisure travellers. The softening of inflation as well as further interest rate cuts along with the suspension of load shedding are tailwinds that signal stronger economic growth in South Africa in the medium term. The recent announcements by the Department of Home Affairs simplifying requirements for port of entry visas and visa regulations for China and India indicate government's commitment to promoting tourism in South Africa which will benefit the group's portfolio in all regions. There are several events being hosted in South Africa such as the G20 Summit, Mining Indaba and the African Energy Indaba, where the group can capitalise on its national distribution and ability to successfully host and coordinate large conferences.

Debt levels have been reduced to a sustainable level and the group will continue to pursue its strategy of getting more out of its irreplaceable hotel portfolio by allocating capital to key properties, so that they remain best-in-class and our customers' preferred accommodation provider. Refurbishment plans scheduled for the 2026 financial year are progressing for several other hotels with various mock-up rooms in progress. Depending on trading levels or specific regional market conditions, any of these refurbishment projects could be delayed, to preserve cash. However, we believe that it is important to proceed, particularly in markets where we see signs of increasing demand, in order to capitalise on potential economic growth. Finally, customer experience is central to Southern Sun's value proposition and the group will continue to focus on our customer delivery and leveraging our frequentGuest programme.

Dividend

Traditionally, the group generates the majority of its profits in the second six months of the financial year and as a result, the directors consider it prudent to reserve cash resources until the group's full year trading results are finalised and a final dividend can be declared. Accordingly, the directors have not declared an interim cash dividend for the six months ended 30 September 2024.

Presentation

Shareholders are advised that a presentation on the results for the six months ended 30 September 2024 will be held on Thursday, 21 November 2024 at 10:00 via Microsoft Teams, and those wishing to join can find the link to the presentation on the company's website at **www.southernsun.com/investors**.

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

21 November 2024

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September

1 Basis of preparation

The unaudited consolidated interim financial statements for the six months ended 30 September 2024 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 financial statements 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 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 2024. The unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with IFRS. These unaudited consolidated interim financial statements for the six months ended 30 September 2024 have not been audited or reviewed by the company's auditors, Deloitte & Touche.

Exceptional items

Exceptional items are those items of financial performance that are separately disclosed to assist in the understanding of the underlying financial performance achieved. The group considers exceptional items to be those that are not within the normal day-to-day operations of the business and are sufficiently material or unusual by nature or amount that they would distort the financial results if they were not adjusted. This would include headline earnings adjustments.

Apart from headline earnings adjustments, further exceptional items include, *inter alia*, gains or losses from corporate transactions including related transaction costs, gains or losses on derivative transactions, share-based payment expenses, hotel pre-opening expenses and restructure costs where such costs would typically be included in earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustments (Ebitdar).

2 Standards issued not yet effective

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

Amendments to IAS 21 *Lack of Exchangeability*, has been considered and none are expected to have a material impact on the group.

In addition, the group is yet to assess the possible impact on the consolidated position or performance of the group of IFRS 18 *Presentation and Disclosure in Financial Statements,* IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 *Financial Instruments and* IFRS 7 *Financial Instruments: Disclosures*, which were issued in April 2024 and May 2024, and are applicable to annual reporting periods beginning on or after 1 January 2027 and 1 January 2026 respectively.

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 and the derecognition of the interest rate swaps – cash flow hedge is detailed in note 3.2.

3.1 Investment properties

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

	30 September 2024 Unaudited Rm	31 March 2024 Audited Rm
Opening net carrying amount	**1 729**	1 485
Acquisition to and development of investment properties	**14**	185
Fair value adjustments recognised in profit or loss	**–**	59
Closing net carrying amount	**1 743**	1 729

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 pre-tax discount rate is calculated using the South African 10Y bond yield at the time of valuation, to which premiums are added for market risk and equity and debt costs. The discount rate factors in a risk premium associated with the local economy as well as those specific to the local property market and the hotel industry. At 31 March 2024, the group's investment properties were independently valued by professionally qualified valuers having recent experience in the location and category of the group's investment properties being valued. The valuation is performed on an annual basis on the entire portfolio of investment properties by an independent valuator.

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.

The group enters into interest rate swaps from time to time in order to maintain a level of exposure to interest rate variability that is in line with the group policy.

As at 30 September 2024, the group's interest rate swap contracts matured. This resulted in a net income statement impact of R3 million due to the release of the cash flow hedge reserve amounting to R15 million net of the derecognition of the cash flow hedge asset of R12 million accounted for in finance income and finance cost respectively.

Due to the declining interest rate, together with the settlement of external debt, the interest rate exposure to the group is significantly lower and the group has not entered into any new interest rate swap contracts.

For the six months ended 30 September 2023, the fixed interest rate swaps ranged from 6.2% to 6.7%, referenced against the three-month JIBAR of 8.4%. The fair value of the group's derivatives used for hedge accounting amounted to R26 million and was calculated as the present value of the estimated future cash flows based on the observable yield curves. As at 30 September 2023, the hedge was assessed as effective.

4 Impairment of goodwill and property, plant and equipment

Management assesses the group's goodwill and property, plant and equipment for impairment annually unless there are indicators of impairment.

Based on market conditions, trading levels and cash flow generated during the period under review, there are no indicators that would necessitate impairment testing as at 30 September 2024. The impairment assessments of goodwill and property, plant and equipment, will be reviewed 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 2024 related to interest-bearing borrowings from short-term borrowings, are as follows:

	Non-current portion Rm	Current portion Rm	Total Rm
For the six months ended 30 September 2024 (Unaudited)			
At 1 April 2024	**1 633**	**30**	**1 663**
Borrowings raised	**–**	**479**	**479**
Borrowings repaid	**(170)**	**(418)**	**(588)**
Currency translation	**(41)**	**(1)**	**(42)**
At 30 September 2024	**1 422**	**90**	**1 512**
Year ended 31 March 2024 (Audited)			
At 1 April 2023	1 964	–	1 964
Borrowings raised	85	–	85
Borrowings repaid	(415)	–	(415)
Currency translation	29	–	29
Reclassification to short-term borrowings	(30)	30	–
At 31 March 2024	1 633	30	1 663

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
For the six months ended 30 September 2024 (Unaudited)			
At 1 April 2024	**1 368**	**99**	**1 467**
Transfer to current lease liabilities	**(32)**	**32**	**–**
Principal elements of lease payments	**–**	**(48)**	**(48)**
At 30 September 2024	**1 336**	**83**	**1 419**

Total cash outflow of R67 million (2023: R68 million) relating to finance costs has been included in cash flows from operating activities.

	Non-current portion Rm	Current portion Rm	Total Rm
Year ended 31 March 2024 (Audited)			
At 1 April 2023	1 412	35	1 447
New leases raised	4	–	4
Transfer to current lease liability	(48)	48	–
Principal elements of lease payments	–	(35)	(35)
Re-measurement of lease contract	–	51	51
At 31 March 2024	1 368	99	1 467

6 Related party transactions

The group's related party transactions and balances are set out below:

	2024 Rm	2023 Rm
For the six months (Unaudited)		
Transactions:		
Management fees received from Tsogo Sun Limited for shared services	**–**	1
Management fees paid to Tsogo Sun Limited for shared services	**(1)**	–
Dividend received from associate – IHL	**21**	–
Dividend received from associate – RBH	**7**	10
Internal audit fees paid to GRIPP Advisory (Pty) Ltd	**2**	2
Amounts owing by related parties:		
Amounts receivable from Tsogo Sun Limited and its subsidiaries	**1**	1
Shareholder loans to associate – IHL Holdco Limited	**–**	19

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

7 Lease re-measurement

Rental adjustments

A lease remeasurement relating to the Sandton Consortium was accounted for in the prior financial year resulting in a right-of-use asset and corresponding lease liability of R51 million being recognised.

The Sandton Consortium hotels' fixed rent is reset every year when the budget for the year is approved which results in a remeasurement of the right-of-use asset and corresponding lease liability. The remeasured lease liability is unwound to the income statement over the next 12-month period. The remeasurement resulted in a net after tax IFRS 16 income of R15 million (2023: Rnil) for the six months ended 30 September 2025.

Additionally, in the prior financial year a right-of-use asset and corresponding lease liability of R4 million was recognised for the parking lease relating to the office space at Nelson Mandela Square that commenced on 1 April 2023.

8 Segment information

In terms of IFRS 8 Operating Segments, the Chief Operating Decision Maker (CODM) has been identified as the group's Chief Executive Officer (CEO) and senior management. Management has determined the operating segments based on the reports reviewed by the CODM. There was no change to the basis of measurement of segment profit or loss from the annual financial statements apart from the CODM re-evaluating the Investment properties segment and re-allocating these hotel properties into their respective geographic locations. Geographic segmentation better reflects the source of the group's revenue and Ebitdar and the market dynamics impacting those regions. Birchwood Hotel & OR Tambo Conference Centre (Birchwood) and Kopanong Hotel & Conference Centre (Kopanong) are now included in the Gauteng segment, Radisson Blu Waterfront is included in the Western Cape segment and Champagne Sports Resort forms part of the KZN segment. Results for the prior reporting period have been restated accordingly.

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

The South African hotel portfolio has been categorised by province, to better reflect the group's geographical footprint. The Ebitdar measure of each segment includes the management fee income earned from hotels managed for third-party owners. This provides more meaningful information about the cash generated by the group from a particular province and how performance is influenced by events taking place in that province. Other segment includes hotel properties located in Mpumalanga, Eastern Cape, Kimberley, Bloemfontein and Polokwane.

The Manco segment reflects the unallocated cost of providing the various central services to the business including among others, sales, marketing, information technology, development, human resources and finance services. This segment also includes the net cost of the group's frequent-Guest loyalty rewards programme.

The CODM assesses the performance of the operating segments based on Ebitdar (earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustment, share-based payment expense and exceptional items). The measure excludes the effects of share-based payment expense and the effects of non-recurring expenditure. The measure also excludes all headline 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 R240 million (2023: R216 million) on operating equipment, replacement and expansion capex for the six months ended 30 September 2024. The group has committed capital spend of R129 million (2023: R239 million), of which the majority relates to the activation of certain refurbishments, with the exception of R20 million relating to the outstanding balance for the Birchwood transaction and R31 million relating to the land purchased in Umhlanga, both of which will be settled on transfer of the relevant properties.

10 Contingent liabilities

The group had no significant contingent liabilities as at 30 September 2024.

11 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.

12 Going concern

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

As at 30 September 2024, the group had cash and cash equivalents of R517 million (2023: R498 million). The group has R1.5 billion (2023: R1.99 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R0.9 billion (2023: R1.0 billion) in undrawn facilities to meet its obligations as they become due.

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

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September

	Change %	2024 Unaudited Rm	2023 Restated[1] Unaudited Rm
Rooms revenue[1]	7	**1 950**	1 815
Food and beverage revenue	4	**760**	730
Property rental income		**114**	94
Other revenue[1]		**142**	151
Income	6	**2 966**	2 790
Property and equipment rental expense		**(66)**	(94)
Amortisation and depreciation		**(194)**	(190)
Employee costs		**(784)**	(754)
Other operating expenses		**(1 374)**	(1 292)
Operating profit		**548**	460
Finance income		**46**	30
Finance costs		**(161)**	(169)
Share of profit of associates		**21**	26
Profit before income tax		**454**	347
Income tax expense		**(123)**	(93)
Profit for the period		**331**	254
Profit attributable to:			
Equity holders of the company		**332**	255
Non-controlling interests		**(1)**	(1)
		331	254
Basic and diluted profit attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue* (million)		**1 341**	1 379
Weighted number of shares in issue* (million)		**1 338**	1 413
Basic earnings per share (cents)		**24.7**	18.0
Diluted earnings per share (cents)		**23.8**	17.6

* *Net of treasury shares.*

1 *The net cost of the group's frequentGuest loyalty programme for the six months ended 30 September 2023 has been reallocated from Other revenue to Rooms revenue which is in line with the requirements of IFRS 15 and has no impact on the group's total revenue.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September

	2024 Unaudited Rm	2023 Unaudited Rm
Profit for the period	**331**	254
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:	**(118)**	82
Cash flow hedges	**–**	2
Currency translation adjustments	**(118)**	81
Income tax relating to items that may subsequently be reclassified to profit or loss	**–**	(1)
Total comprehensive income for the period	**213**	336
Total comprehensive income attributable to:		
Equity holders of the company	**216**	335
Non-controlling interests	**(3)**	1
	213	336

SUPPLEMENTARY INFORMATION

for the six months ended 30 September

	2024 Unaudited Rm	2023 Unaudited Rm
Reconciliation of profit attributable to equity holders of the company to headline earnings and adjusted headline earnings		
Profit attributable to equity holders of the company	**332**	255
Profit on disposal of property, plant and equipment	**(1)**	–
Share of associate's (IHL) headline earnings adjustments	**(6)**	–
Headline earnings	**325**	255
Pre-opening costs	**13**	–
Derecognition of derivative financial instruments	**(3)**	–
Share of associates' exceptional items	**3**	–
Total tax effects of other exceptional items	**(4)**	–
Adjusted headline earnings[1]	**334**	255
Number of shares in issue* (million)	**1 341**	1 379
Weighted number of shares in issue* (million)	**1 338**	1 413
Basic headline earnings per share (cents)	**24.3**	18.0
Diluted headline earnings per share (cents)	**23.4**	17.6
Basic adjusted headline earnings per share (cents)	**25.0**	18.0
Diluted adjusted headline earnings per share (cents)	**24.0**	17.6

* *Net of treasury shares.*

1 *Adjusted headline earnings is defined as profits or losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline earnings adjustments) that are regarded as sufficiently material and unusual that they would distort the financial results if they were not adjusted. This measure is not required by IFRS Accounting Standards and is commonly used in the industry.*

for the six months ended 30 September

	2024 Unaudited Rm	2023 Unaudited Rm
Reconciliation of operating profit to Ebitdar		
Ebitdar pre-exceptional items are made up as follows:		
Operating profit	**548**	460
Amortisation and depreciation	**194**	190
Property rentals	**55**	83
Share-based payment expense	**13**	12
	810	745
Add/(less): Exceptional losses[1]/(gains)		
Profit on disposal of property, plant and equipment	**(1)**	–
Pre-opening costs	**13**	–
Ebitdar	**822**	745

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

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September

	2024 Unaudited Rm	2023 Unaudited Rm
Cash flows from operating activities		
Profit before interest and income tax	**548**	460
Adjust for non-cash movements[1]	**310**	347
Increase in working capital	**(183)**	(128)
Cash generated from operations	**675**	679
Finance income	**31**	30
Finance costs	**(149)**	(169)
Income tax paid	**(136)**	(90)
Dividends paid	**(167)**	–
Net cash generated from operating activities	**254**	450
Cash flows from investment activities		
Purchase of property, plant and equipment – replacement	**(223)**	(140)
Purchase of property, plant and equipment – expansionary	**(3)**	(8)
Proceeds from disposals of property, plant and equipment	**1**	–
Additions to investment property	**(14)**	(9)
Additions to investment property – expansionary	**–**	(59)
Dividends received from associates	**28**	10
Net cash utilised in investment activities	**(211)**	(206)
Cash flows from financing activities		
Borrowings raised	**479**	174
Borrowings repaid	**(588)**	(174)
Principal elements of lease payments	**(48)**	(17)
Purchase of treasury shares	**–**	(389)
Refund of funds held as security	**–**	(236)
Net cash utilised in financing activities	**(157)**	(642)
Net decrease in cash and cash equivalents	**(114)**	(398)
Cash and cash equivalents at beginning of the period	**639**	883
Foreign currency translation	**(8)**	13
Cash and cash equivalents at the end of the period	**517**	498

1 *Includes amortisation and depreciation of R194 million (2023: R190 million) and movements in provisions of R82 million (2023: R93 million).*

CONSOLIDATED BALANCE SHEET

	30 September 2024 Unaudited Rm	31 March 2024 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**8 421**	8 488
Right-of-use assets	**935**	981
Investment properties	**1 743**	1 729
Goodwill	**354**	354
Other intangible assets	**43**	44
Investments in associates	**368**	385
Post-employment benefit assets	**5**	5
Non-current receivables	**2**	5
Deferred income tax assets	**435**	442
Total non-current assets	**12 306**	12 433
Current assets		
Inventories	**79**	80
Trade and other receivables	**653**	494
Derivative financial instruments	**–**	12
Current income tax assets	**15**	16
Cash and cash equivalents	**517**	639
Total current assets	**1 264**	1 241
Total assets	**13 570**	13 674
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**4 714**	4 694
Other reserves	**1 749**	1 903
Retained earnings	**2 085**	1 920
Total shareholders’ equity	**8 548**	8 517
Non-controlling interests	**(20)**	(17)
Total equity	**8 528**	8 500

	30 September 2024 Unaudited Rm	31 March 2024 Audited Rm
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**1 422**	1 633
Lease liabilities	**1 336**	1 368
Deferred income tax liabilities	**720**	720
Deferred revenue	**29**	28
Provisions	**67**	63
Total non-current liabilities	**3 574**	3 812
Current liabilities		
Interest-bearing borrowings	**90**	30
Lease liabilities	**83**	99
Trade and other payables	**1 140**	1 000
Deferred revenue	**57**	55
Provisions	**74**	142
Current income tax liabilities	**24**	36
Total current liabilities	**1 468**	1 362
Total liabilities	**5 042**	5 174
Total equity and liabilities	**13 570**	13 674

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	Treasury shares Rm	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 March 2023 (Audited)	5 333	1 837	(44)	1 064	**8 190**	(18)	**8 172**
Total comprehensive income	–	80	(389)	255	**(54)**	1	**(53)**
Profit for the year	–	–	–	255	**255**	(1)	**254**
Cash flow hedges, net of tax	–	1	–	–	**1**	–	**1**
Currency translation adjustment	–	79	–	–	**79**	2	**81**
Purchase of treasury shares[1]	–	–	(389)	–	**(389)**	–	**(389)**
Share-based payments charge	–	12	–	–	**12**	–	**12**
Balance at 30 September 2023 (Unaudited)	5 333	1 929	(433)	1 319	**8 148**	(17)	**8 131**
Balance at 31 March 2024 (Audited)	**4 694**	**1 903**	**–**	**1 920**	**8 517**	**(17)**	**8 500**
Total comprehensive income	20	(131)	–	332	**221**	(3)	**218**
Profit for the year	–	–	–	332	**332**	(1)	**331**
Derecognition of interest rate swap reserve	–	(15)	–	–	**(15)**	–	**(15)**
Currency translation adjustment	–	(116)	–	–	**(116)**	(2)	**(118)**
Issue of ordinary shares[2]	20	–	–	–	**20**	–	**20**
Share-based payments charge	–	13	–	–	**13**	–	**13**
Exercise of share appreciation rights	–	(36)	–	–	**(36)**	–	**(36)**
Dividends paid	–	–	–	(167)	**(167)**	–	**(167)**
Balance at 30 September 2024 (Unaudited)	**4 714**	**1 749**	**–**	**2 085**	**8 548**	**(20)**	**8 528**

1 *The group bought back 89 million SSU shares during May and June 2023 at an average price of R4.35.*

2 *The group issued four million shares during the period to employees participating in the Southern Sun Share Appreciation Rights Plan.*

SEGMENTAL ANALYSIS

for the six months ended 30 September

	Revenue[1]		Ebitdar[2]		Ebitdar margin	
	2024 Rm	2023 Restated[4] Rm	**2024 Rm**	2023 Restated[4] Rm	**2024 %**	2023 Restated[4] %
Unaudited						
Sandton Consortium	**318**	333	**99**	105	**31**	32
SA Portfolio	**2 477**	2 284	**716**	649	**29**	28
Western Cape	**861**	757	**277**	221	**32**	29
KwaZulu-Natal	**490**	530	**120**	164	**24**	31
Gauteng	**785**	664	**232**	172	**30**	26
Other	**341**	333	**87**	92	**25**	28
Offshore	**207**	213	**39**	41	**19**	19
Manco[3]	**(36)**	(40)	**(32)**	(50)	**88**	*
Total	**2 966**	2 790	**822**	745	**28**	27

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

2 *Refer to reconciliation of operating profit to Ebitdar on page 16.*

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

4 *Restated for the change to the disclosure of segmental reporting. Refer to note 8.*

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

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 (excluding property rental income as these are accounted for under different accounting policies), which are included in the segmental analysis on page 21. Disaggregation of revenue from contracts with customers for the period under review:

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time		Revenue from external customers	
	2024 Rm	2023 Restated[1] Rm	**2024 Rm**	2023 Rm	**2024 Rm**	2023 Restated[1] Rm	**2024 Rm**	2023 Rm
Unaudited								
Sandton Consortium	**190**	204	**107**	109	**14**	15	**311**	328
SA Portfolio	**1 622**	1 469	**597**	563	**115**	124	**2 334**	2 156
Western Cape	**608**	509	**187**	176	**44**	47	**839**	732
KwaZulu-Natal	**291**	322	**136**	147	**31**	30	**458**	499
Gauteng	**480**	402	**195**	164	**31**	35	**706**	601
Other	**243**	236	**79**	76	**9**	12	**331**	324
Offshore	**138**	142	**56**	58	**13**	12	**207**	212
Total	**1 950**	1 815	**760**	730	**142**	151	**2 852**	2 696
Reconciliation to segmental analysis on page 21:								
Revenue from contracts with customers per above							**2 852**	2 696
Property rental income							**114**	94
Total income per segmental analysis							**2 966**	2 790

[1] *The net cost of the group's frequentGuest loyalty programme for the six months ended 30 September 2023 has been reallocated from Other revenue to Rooms revenue which is in line with the requirements of IFRS 15 and has no impact on the group's total revenue.*

REVENUE FROM CONTRACTS WITH CUSTOMERS *continued*

for the six months ended 30 September

	2024 Unaudited Rm	2023 Restated[1] Unaudited Rm
Revenue from contracts with customers		
Other revenue is made up as follows:		
Management fees revenue	**32**	31
Parking revenue	**8**	7
Venue hire revenue	**33**	33
Packaged food[2]	**14**	12
Non-arrival charges[2]	**8**	7
Other sundry revenue	**47**	61
Other revenue	**142**	151

[1] *The net cost of the group's frequentGuest loyalty programme for the six months ended 30 September 2023 has been reallocated from Other revenue to Rooms revenue which is in line with the requirements of IFRS 15 and has no impact on the group's total revenue.*

[2] *Package food and non-arrival charges are recognised at a point in time.*

Directors

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

** Non-executive*   *# Independent*

Company Secretary

LR van Onselen for Southern Sun Secretarial Services Proprietary Limited

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Transfer secretaries

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Sponsor

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Southern Sun

Luxury

54 on Bath
Arabella Hotel, Golf & Spa
Beverly Hills
InterContinental Johannesburg O.R. Tambo Airport
Sandton Sun
Sandton Towers
Mount Grace Hotel & Spa
Paradise Sun praslin seychelles

Full Service

Southern Sun Hotels
Sun Square
Southern Sun Resorts
Garden Court

Economy

stayeasy
SUN1

Convention Centre

Sandton Convention Centre

The financial statements contain 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*.

Southern Sun 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)