CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Continuing operations	**Six months ended 30 Sept 2022 Rm**	Six months ended 30 Sept 2021 Rm	Change on prior year %	Six months ended 30 Sept 2019 Rm	Sept 2022 change on Sept 2019 %
Income	**5 462**	3 823	43	5 958	(8)
Operating costs	**(3 517)**	(2 543)	(38)	(3 978)	12
EBITDA	**1 945**	1 280	52	1 980	(2)
EBITDA margin	**35.6%**	33.5%	2.1pp	33.2%	2.4pp
Adjusted EBITDA (including leases)	**1 905**	1 243	53	1 920	(1)
Net finance cost (excluding leases)	**(316)**	(398)	21	(540)	41
Headline earnings	**607**	323	88	675	(10)
Adjusted headline earnings (AHE)	**896**	323	177	690	30
Adjusted EBITDA to AHE conversion rate	**47.0%**	26.0%	21.0pp	35.9%	11.1pp
Dividend per share (cents)	**30**	–	–	26	15
Capex cash flow	**(246)**	(113)	(118)	(528)	53
NIBD and guarantees	**(8 505)**	(10 262)	17	(11 264)	24

TSOGO SUN GAMING

Tsogo Sun Gaming Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
Share code: TSG ISIN: ZAE000273116
JSE Alpha code: TSGI
("Tsogo Sun Gaming" or "the company" or "the group")
www.tsogosungaming.com

Comparison to preceding six month period

	Six months ended 30 Sept 2022 Rm	Six months ended 31 March 2022 Rm	Change on six months ended 31 March 2022 %
Income	**5 462**	5 115	7
Operating costs	**(3 517)**	(3 267)	(8)
EBITDA	**1 945**	1 848	5
EBITDA margin	**35.6%**	36.1%	(0.5)pp
Adjusted EBITDA (including leases)	**1 905**	1 802	6
Net finance cost (excluding leases)	**(316)**	(337)	6
Headline earnings	**607**	830	(27)
Adjusted headline earnings (AHE)	**896**	830	8
Adjusted EBITDA to AHE conversion rate	**47.0%**	46.1%	0.9pp
Dividend per share (cents)	**30**	19	58
Capex cash flow	**(246)**	(154)	(60)
NIBD and guarantees	**(8 505)**	(9 040)	6

Commentary

REVIEW OF OPERATIONS

R1.95 bn EBITDA

Net debt: Adjusted EBITDA 2.22 times

Debt and covenants

It is pleasing to note that the net debt to adjusted EBITDA ratio for the past rolling 12 months, as measured for covenant purposes, amounted to a 2.22 times multiple, which has reduced from the 2.89 multiple at the 31 March 2022 year end. The required ratio in terms of the group's debt covenants is less than a 3.0 times multiple.

Despite the completion of various transactions during the period under review at a net cash outflow totalling R506 million, the group still managed to reduce its net interest-bearing debt and guarantees by R535 million, from R9.04 billion at 31 March 2022, to R8.50 billion at 30 September 2022.

The group's medium-term target remains to reduce its net debt levels to lower than a 2.0 times multiple of adjusted EBITDA, thereby further reducing risk and funding costs.

The balance of the three-year debt tranche in the sum of R1.55 billion which is due for repayment at the end of November 2022, will be settled on due date utilising the group's revolving credit facilities ("RCF") and available operating cash. The group will apply available excess cash to repay the RCF as quickly as possible.

The four-year debt tranche due for repayment on 30 November 2023 amounts to R2.95 billion. The group's lenders remain supportive of the business and there is no indication currently that any of the lenders will not be supportive of refinancing a portion of this debt tranche by November 2023.

Financial

The total income generated for the period under review was R5.46 billion (up 43% compared to the prior period, but still 8% below pre-COVID-19 levels), EBITDA was R1.95 billion (up 52% on the prior period) and adjusted EBITDA (after IFRS 16 adjustments) was R1.91 billion (up 53% on the prior period, and only 1% below pre-COVID-19 levels, illustrating more efficient operations when compared to income).

Net finance costs (excluding leases) for the period under review amounted to R316 million, a significant decrease from the R398 million for the prior period. Interest rate swaps with a notional amount of R3.5 billion remain in place until 31 May 2024.

Headline earnings achieved for the period under review amounted to R607 million compared to the R323 million headline earnings reported for the prior period. If, however, the hotel transaction amounting to R289 million (after tax and non-controlling interests) is excluded from the headline earnings calculation, then adjusted headline earnings achieved is R896 million. This equates to an adjusted EBITDA to adjusted headline earnings conversion ratio of 47% (26% for the prior period and 36% for the 30 September 2019 interim period).

An EBITDA margin of 35.6% was achieved for the period under review.

On comparing the interim results for the six months ended 30 September 2022 to the preceding six months ended 31 March 2022, the following is evident:

- as expected, there was a nominal increase in the cost base;
- the cost of the acquisitions and the hotel transaction, which closed during the period under review, resulted in a lower reduction in the net debt levels for this period than in the preceding six month period ended 31 March 2022; and
- the reduction in finance costs was only marginal as a result of several increases in the repurchase (repo) rate.

Casinos

The casino division's income continues to lag pre-COVID-19 levels, but due to the more efficient structure, EBITDA is almost back to those levels. The KwaZulu-Natal region was negatively impacted by flooding during the reporting period. The Mpumalanga region had to deal with several days of complete or partial closures due to strike and protest action against the fuel price and other matters, with some roads in the various areas being made inaccessible.

The acquisition of an effective 55% stake in the Emerald resort and casino ("Emerald") in the south of Gauteng was completed in September 2022. This casino precinct, which was already on a deteriorating path before the onset of the COVID-19 pandemic, is currently performing poorly compared to pre-COVID-19 EBITDA levels when assessed against other casinos in South Africa. Emerald's results for the six months to September 2022 reflect an EBITDA margin of approximately 10%, with pre-COVID-19 levels being approximately 19%, neither of which are sustainable for a casino business. The average margin of the group's casino division is approximately 40% and the lowest casino is at approximately 30%. Based on income for this interim reporting period, Emerald would slot in as the sixth largest casino in the Tsogo Sun Gaming casino stable, but on EBITDA, apart from the small Goldfields casino, it would be the smallest of the 14 casino complexes. Accordingly, the turnaround of Emerald is of critical importance to all stakeholders. Operational efficiency will be improved and the appropriate resources made available to enhance the general condition of Emerald.

The other income streams of the group's casino precincts, comprising mainly food and beverage, rooms and tenanting income, continued to recover in the first half of this financial year. The improvements at the Gold Reef City precinct, focussing on ancillary offerings, will be completed by the 2023 financial year end.

With the intense load shedding schedules implemented during August 2022 and particularly September 2022, the casino precincts spent R23 million on diesel cost during the period (R2 million in the prior period) to keep the doors open, hired water tankers to collect and deliver water to precincts that ran out of water as a result of reservoirs being unable to provide water due to load shedding, and had to effect much higher levels of preventative maintenance in order to protect infrastructure.

Bingo

The bingo division's trading was negatively impacted by severe load shedding, but continues to improve although still below pre-COVID-19 levels.

Limited Pay Out Machines ("LPMs")

The LPM division continues to excel and achieved record EBITDA of R285 million for the period under review.

DIGITAL, ONLINE AND TECHNOLOGY

Developments within the digital, online and technology space are progressing well. The group envisages having more visibility in the market in this regard in the 2024 financial year.

playTsogo, the Tsogo Sun Gaming online offering, will be launched in December 2022. As with any start-up, "growing pains" are expected in the initial launch period to year end, however the group is confident of a quality product which will be attractive to punters.

CAPITAL EXPENDITURE, TRANSACTIONS AND SALE OF ASSETS

Capital expenditure cash outflow for the six months under review amounted to R246 million (including capital creditors).

Acquisitions and the hotel separation transaction concluded during the period amounted to a net cash outflow of R506 million.

Following the separation agreement of the gaming hotel management contracts, all seven Gauteng hotels have been incorporated into the in-house management and operational structure of the group. This includes the Palazzo, Pivot, Piazza and Perte hotels in the Montecasino precinct and the various hotels at Gold Reef City and Silverstar. The remaining eight hotels, spread across several provinces, will be taken over in a phased manner between February 2023 and June 2023.

Assets held for sale realised during the period resulted in net proceeds of R14 million. Additional non-core assets, comprising mainly surplus land, will be disposed at acceptable prices.

REGULATORY

The Department of Health has continued with proposed widespread changes to the tobacco legislation, regardless of any adverse consequences. The proposed banning of the already restricted dedicated smoking areas will impact the casino industry negatively. The timing of these proposed changes directly after the severe adverse impact of the COVID-19 pandemic, is also not great for business in South Africa.

Furthermore, the indifference to the negative impact of a complete smoking ban on the casino industry is misplaced, since the smoking ban will not reduce gambling, but will merely shift the play from casinos to either illegal or online operators. This will result in significant loss of employment, drastically reduced capital investment, lower taxes and less local procurement by casino complexes from predominantly B-BBEE compliant suppliers.

It is obvious that restricted and controlled dedicated smoking areas should be made an exception.

DIVIDEND

The board of directors has resolved to declare an interim gross cash dividend of 30.0 (thirty) cents per share in respect of the six months ended 30 September 2022 from distributable reserves. The dividend will be paid in cash to shareholders recorded in the register of the company at close of business Friday, 23 December 2022. The number of ordinary shares in issue at the date of this declaration is 1 049 627 224 (excluding 561 076 treasury shares). The dividend will be subject to a local dividend tax rate of 20%, which will result in a net dividend of 24.0 (twenty-four) cents per share to those shareholders who are not exempt from paying dividend tax. The company's income tax reference number is 9250039717.

Salient dates for payment of the dividend are:

Last date to trade cum dividend	Tuesday, 20 December 2022
Trading ex-dividend commences	Wednesday, 21 December 2022
Record date	Friday, 23 December 2022
Payment date	Tuesday, 27 December 2022

Share certificates may not be dematerialised or re-materialised during the period Wednesday, 21 December 2022 and Friday, 23 December 2022, both days inclusive.

Commentary *continued*

PROSPECTS

The group's EBITDA for the first half of the 2023 financial year ended close to the pre-COVID-19 levels and even though the recovery remains slow (when compared to the six months ended 31 March 2022), it creates a good base for the next financial year. It is a positive development to note that the income generated by the group for the month of October 2022 is the second highest since December 2019.

With improved cost bases at casino precincts and head office, lower debt levels and firmly controlled capital cash allocation, the group is well positioned to deliver strong headline earnings.

Several of the group's projects are coming to fruition, including the acquisition of Emerald, the launching of the new playTsogo online platform, the transfer of the gaming precinct hotels to in-house management, the improvements at Gold Reef City and the first phase of solar projects coming on line. The group is accordingly on track to deliver what was promised at the prior year end. If the 2024 financial year can build on this, the group should achieve its goal of rebuilding a sustainable and strong business for the future (subject to regulatory changes).

The effort to reduce debt levels to the targeted less than 2.0 times net debt to adjusted EBITDA ratio will continue, and the board hopes to report positively on progress in the future.

The board extends its appreciation to management and employees for their efforts in assisting in the recovery of the business and delivery of these results.

CG du Toit
Chief Executive Officer

G Lunga
Chief Financial Officer

24 November 2022

Condensed consolidated statement of profit or loss

for the six months ended 30 September

	Change %	2022 Unaudited Rm	2021 Unaudited Rm
Net gaming win		**4 670**	3 332
Food and beverage revenue		**271**	136
Rooms revenue		**247**	111
Other revenue		**159**	84
Other income		**115**	160
Income	43	**5 462**	3 823
Gaming levies and Value Added Tax		**(1 025)**	(727)
Employee costs		**(901)**	(675)
Other operating expenses		**(1 516)**	(1 138)
Cancellation of hotel management contracts		**(399)**	–
Amortisation and depreciation		**(383)**	(392)
Operating profit	39	**1 238**	891
Finance income		**26**	10
Finance costs		**(357)**	(422)
Share of profit of associates		**4**	–
Profit before income tax	90	**911**	479
Income tax expense		**(224)**	(143)
Profit for the period	104	**687**	336
Profit attributable to:			
Equity holders of the company		**671**	325
Non-controlling interests		**16**	11
		687	336
Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)	106	**64.1**	31.1

Condensed consolidated statement of other comprehensive income

for the six months ended 30 September

	2022 Unaudited Rm	2021 Unaudited Rm
Profit for the period	**687**	336
Other comprehensive profit for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:	**90**	70
Cash flow hedges	**124**	97
Deferred tax relating to items that may subsequently be reclassified to profit or loss	**(34)**	(27)
Items that may not be reclassified subsequently to profit or loss:	**–**	63
Equity instruments at FVOCI	**–**	63
Deferred tax relating to items that may not subsequently be reclassified to profit or loss	**–**	–
Total comprehensive income for the period	**777**	469
Total comprehensive income attributable to:		
Equity holders of the company	**761**	458
Non-controlling interests	**16**	11
	777	469

Condensed consolidated statement of financial position

	Notes	As at 30 September 2022 Unaudited Rm	As at 31 March 2022 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**8 286**	8 109
Right-of-use assets		**216**	237
Investment properties	5.1	**394**	374
Goodwill	4	**1 461**	1 461
Other intangible assets	4	**3 182**	3 183
Investments in associates		**31**	27
Financial assets at FVOCI	5.2	**814**	814
Non-current receivables		**45**	50
Derivative financial instruments	5.3	**41**	–
Deferred income tax assets		**63**	92
		14 533	14 347
Current assets			
Inventories		**73**	70
Trade and other receivables		**406**	392
Current income tax assets		**68**	73
Cash and cash equivalents		**873**	852
		1 420	1 387
Assets classified as held for sale		**37**	46
		1 457	1 433
Total assets		**15 990**	15 780
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium		**6 486**	6 487
Other reserves		**(4 101)**	(4 185)
Retained income		**1 322**	850
Total shareholders' equity		**3 707**	3 152
Non-controlling interests		**91**	120
Total equity		**3 798**	3 272
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	6	**7 560**	7 400
Lease liabilities	6	**281**	295
Derivative financial instruments	5.3	**–**	82
Deferred income tax liabilities		**1 278**	1 259
Provisions and other liabilities		**143**	98
		9 262	9 134
Current liabilities			
Interest-bearing borrowings	6	**1 677**	2 351
Lease liabilities	6	**35**	42
Trade and other payables		**987**	961
Shareholders for dividend		**201**	–
Current income tax liabilities		**30**	20
		2 930	3 374
Total liabilities		**12 192**	12 508
Total equity and liabilities		**15 990**	15 780

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 income/ (accumulated losses) Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2021 (audited)	6 487	(4 461)	(555)	1 471	113	1 584
Total comprehensive income	–	133	325	458	11	469
Ordinary dividends declared	–	–	–	–	(17)	(17)
Balance at 30 September 2021 (unaudited)	6 487	(4 328)	(230)	1 929	107	2 036
Balance at 1 April 2022 (audited)	6 487	(4 185)	850	3 152	120	3 272
Total comprehensive income	–	90	671	761	16	777
Acquisition of non-controlling interests (by Galaxy and Vukani)	–	(16)	–	(16)	(3)	(19)
Share-based payment charge on business acquisition	–	10	–	10	–	10
Share options lapsed	(1)	–	–	(1)	–	(1)
Ordinary dividends declared	–	–	(199)	(199)	(42)	(241)
Balance at 30 September 2022 (unaudited)	**6 486**	**(4 101)**	**1 322**	**3 707**	**91**	**3 798**

Condensed consolidated cash flow statement

for the six months ended 30 September

	Notes	2022 Unaudited Rm	2021 Unaudited Rm
Cash flows from operating activities			
Profit before income tax		**911**	479
Adjusted for finance income and finance costs, equity accounted earnings and non-cash movements		**713**	851
Increase in working capital		**(87)**	(20)
Cash generated from operations		**1 537**	1 310
Finance income received		**24**	8
Finance costs paid[(1)]		**(352)**	(817)
Income tax paid		**(227)**	(99)
Dividends received		**42**	–
Dividends paid to non-controlling interests		**(37)**	(12)
Net cash generated from operating activities		**987**	390
Cash flows from investment activities			
Purchase of property, plant and equipment		**(218)**	(111)
Proceeds from disposals of property, plant and equipment		**141**	2
Purchase of intangible assets		**(8)**	–
Additions to investment property		**(20)**	(2)
Acquisition of business, net of cash acquired	7	**(317)**	–
Loans advanced to other parties		**–**	(1)
Proceeds from disposals of assets classified as held for sale		**14**	3
Net cash utilised for investment activities		**(408)**	(109)
Cash flows from financing activities			
Borrowings raised	6	**166**	–
Borrowings repaid	6	**(686)**	(250)
Principal elements of lease payments	6	**(20)**	(15)
Transactions with non-controlling interests		**(19)**	–
Decrease in amounts due by share scheme participants		**1**	–
Net cash utilised in financing activities		**(558)**	(265)
Net increase in cash and cash equivalents		**21**	16
Cash and cash equivalents at beginning of period, net of bank overdrafts		**780**	458
Cash and cash equivalents at end of period, net of bank overdrafts		**801**	474

(1) *Prior year includes interest capitalised pursuant to the agreement reached with the lenders during the 2020 financial year of R400 million*

Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings

for the six months ended 30 September

	Change %	**2022 Unaudited Rm**	2021 Unaudited Rm
Profit attributable to equity holders of the company		**671**	325
(Less)/add: Headline adjustments			
Gain on disposal of property		**(77)**	–
Loss/(gain) on disposal of plant and equipment		**5**	(3)
Gain on disposal of assets classified as held for sale		**(6)**	–
Impairment of property, plant and equipment		**3**	–
Total tax effects of headline earnings adjustments		**11**	1
Headline earnings	88	**607**	323
Add: Other exceptional items included in operating profit			
Cancellation of hotel management contracts		**399**	–
Total tax effects of other exceptional items		**(108)**	–
Total non-controlling interests of other exceptional items		**(2)**	–
Adjusted headline earnings	177	**896**	323
Number and weighted average number of shares in issue (million)		**1 046**	1 046
Basic and diluted headline earnings per share (cents)	88	**58.0**	30.9
Basic and diluted adjusted headline earnings per share (cents)	177	**85.7**	30.9

Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax non-recurring expenditure items which are regarded as unusual and are infrequent and are considered to distort the numbers if they were not adjusted (Rnil for the prior period), and headline adjustments in terms of Circular 1/2021 *Headline earnings*.

Reconciliation of operating profit to EBITDA

for the six months ended 30 September

	Change %	**2022 Unaudited Rm**	2021 Unaudited Rm
EBITDA pre-exceptional items is made up as follows:			
Operating profit		**1 238**	891
Add: Amortisation and depreciation		**383**	392
		1 621	1 283
(Less)/add: Headline adjustments		**(75)**	(3)
Gain on disposal of property		**(77)**	–
Loss/(gain) on disposal of plant and equipment		**5**	(3)
Gain on disposal of assets classified as held for sale		**(6)**	–
Impairment of property, plant and equipment		**3**	–
Add: Other exceptional items			
Cancellation of hotel management contracts		**399**	–
EBITDA	52	**1 945**	1 280

EBITDA excludes the effects of items which are regarded as unusual and are infrequent and are considered to distort the numbers if they were not adjusted, and headline adjustments in terms of Circular 1/2021 *Headline Earnings*.

Segmental analysis

for the six months ended 30 September

Other than as indicated below, there has been no change in the basis of measurement of segment profit or loss since the previous financial year end.

For casinos, in order to assess performance and allocate resources, the chief operating decision maker reviews the businesses by region and thus the group considers its reportable segments to be geographical and has presented a segmental analysis by region. The group applies the aggregation criteria being that the casino businesses are all similar in nature, profit generation and class of customer in each province. Furthermore, each province has its own gambling board which governs the respective businesses. In terms of the quantitative threshold, although Mpumalanga and Western Cape do not meet the 10% profit threshold, the group is voluntarily disclosing these as separate segments, being more than one casino in separate provinces. The Eastern Cape and Free State provinces comprise a single casino each, and are individually immaterial, therefore these casinos are now combined in the segmental table within "Other casinos". Comparatives have been re-aligned in accordance with IFRS 8 *Operating Segments*. With effect from 12 September 2022, the group acquired an effective 55% interest in Emerald Safari Resort Proprietary Limited operating in Gauteng which has been included in the Casinos – Gauteng segment (refer to note 7). The segment income and EBITDA for the period under review is as follows:

	Income[1]			EBITDA[2][3]		
	2022 Unaudited Rm	2021 Unaudited Rm	Change %	**2022 Unaudited Rm**	2021 Unaudited Rm	Change %
Casinos	**3 986**	2 715	46.8	**1 696**	1 088	55.9
Gauteng	**2 212**	1 383	59.9	**973**	534	82.2
KwaZulu-Natal	**1 029**	777	32.4	**439**	338	29.9
Mpumalanga	**297**	231	28.6	**107**	90	18.9
Western Cape	**278**	202	37.6	**125**	90	38.9
Other casinos[4]	**170**	122	39.3	**52**	36	44.4
Bingo	**416**	317	31.2	**97**	86	12.8
LPMs	**963**	754	27.7	**285**	236	20.8
Other group operations	**97**	37	162.2	**(133)**	(130)	(2.3)
Group	**5 462**	3 823	42.9	**1 945**	1 280	52.0

(1) *All revenue and income from operations are derived from external customers. No one customer contributes more than 10% to the group's total income*
(2) *Refer reconciliation of operating profit to EBITDA*
(3) *All casino units are reported pre-internal gaming management fees*
(4) *Comparatives have been re-aligned as noted above*

Disaggregation of 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. The group has no contract assets. The table below presents revenue by segment which excludes net gaming win and other income which are included in the segmental analysis as these are accounted for under different accounting policies. Disaggregation of revenue from contracts with customers for the year under review is as follows:

	Food and beverage recognised at a point in time		Rooms revenue recognised over time		Other revenue recognised over time		Revenue from contracts with customers	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Casinos	**241**	115	**247**	111	**156**	81	**644**	307
Gauteng	**124**	52	**125**	35	**136**	70	**385**	157
KwaZulu-Natal	**53**	30	**44**	28	**7**	5	**104**	63
Mpumalanga	**29**	15	**51**	32	**6**	3	**86**	50
Western Cape	**20**	10	**13**	7	**3**	2	**36**	19
Other casinos[1]	**15**	8	**14**	9	**4**	1	**33**	18
Bingo	**30**	21	**–**	–	**3**	2	**33**	23
Other group operations	**–**	–	**–**	–	**–**	1	**–**	1
Group	**271**	136	**247**	111	**159**	84	**677**	331

(1) *Comparatives have been re-aligned as noted in segmental analysis*

	2022 Rm	2021 Rm
Reconciliation to segmental analysis:		
Net gaming win	**4 670**	3 332
Revenue from contracts with customers per above	**677**	331
Other income	**115**	160
Total income per segmental analysis	**5 462**	3 823

Other revenue comprises mainly revenues from Theme Park, cinemas, venue hire, parking and other sundry revenue.

Other income comprises mainly property rentals and in the current period, dividends received. The prior period consists mainly of the group's business interruption insurance claim being the settlement of R111 million in respect of the negative impact of the COVID-19 pandemic on the trading of the group's business.

Notes to the condensed unaudited consolidated interim financial statements

1 BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC"), IAS 34 *Interim Financial Reporting*, the Listings Requirements of the Johannesburg Stock Exchange and the requirements of the Companies Act of South Africa, 71 of 2008, as amended. The accounting policies are consistent with IFRS as well as those applied in the most recent audited consolidated annual financial statements as at 31 March 2022 other than as described in note 2. The condensed unaudited consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with IFRS. The preparation of these condensed unaudited consolidated interim financial statements has been supervised by the Chief Financial Officer, G Lunga CA(SA). This interim report, together with any forward-looking information contained herein, has not been audited or reviewed by the company's auditors.

In preparing these condensed unaudited consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies are similar to those detailed in the group's consolidated annual financial statements for the year ended 31 March 2022, other than as mentioned in this report.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2022. No pronouncement had any material impact on the group.

3 STANDARDS ISSUED NOT YET EFFECTIVE

The group does not anticipate that any standards or amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2023 or later periods, which the group has not early adopted, would have a material impact on the group.

4 IMPAIRMENTS OF NON-CURRENT ASSETS

In terms of IAS 36 *Impairment of Assets*, the group assesses at the end of each reporting period whether there is any indication that an asset may be impaired, and assesses its goodwill and intangible assets with indefinite lives for impairment irrespective of whether there is any indication of impairment or not. The group makes estimates and assumptions concerning the future, with the significant estimates discussed below. Impairments of non-current assets and current assets are not significant and have therefore been included within "Other operating expenses" in the income statement.

Goodwill and casino licences

Post the COVID-19 pandemic, the group continued to achieve strong recoveries in income and EBITDA growth off a low base for the 2022 financial year end, but still traded below pre-COVID-19 levels for the six months ended 30 September 2019. The war between Russia and Ukraine has aggravated global supply chain disruptions and added to the shortage of critical commodities which is impacting inflation globally. Although the group does not have direct exposure to either country, these negative influences on global economies impact disposable income in South Africa. These factors are taken into account in the impairment testing of goodwill and intangibles, intangibles being mainly casino licences most of which are indefinite lived.

Goodwill and casino licences are allocated and monitored based on the group's cash generating units ("CGUs"). The recoverable amount of the CGUs is determined based on the higher of the fair value less costs of disposal and value-in-use. These calculations use management-approved cash flow projections based on five-year forecasts. The expected capital cost spend in the CGUs is based on the historical experience of maintaining each property, taking into account current spend, limited to necessary maintenance in order to preserve cash. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate.

4 IMPAIRMENTS OF NON-CURRENT ASSETS continued

Goodwill and casino licences continued

The key assumptions used for value-in-use calculations were reviewed by management at the reporting date and estimated as follows:

- Trading assumptions – management forecast income, operating expenses and EBITDA margins based on past and current performance, its expectations of market developments post the COVID-19 pandemic and the inflationary impact of the Russia/Ukraine conflict. As from 23 June 2022, the National State of Disaster, together with all remaining COVID-19 restrictions were lifted and therefore, no further COVID-19 pandemic waves of infections have been provided for in the cash flow forecasts. Management continued focusing on maintaining previously implemented cost reductions and operational efficiencies during the reporting period, resulting in a significantly reduced cost base compared to pre-COVID-19 levels. Certain expenses, some of which are beyond the group's control (such as utility costs), have increased, offsetting some of the saving initiatives achieved. Taking the aforementioned into account, the group's forecast models assume strong recoveries in trading for the remainder of the 2023 financial year cash flow forecasts, levelling off to normal trading growths with effect from 2024. The significant unobservable inputs used in the trading assumptions as at 30 September 2022 compared to 31 March 2022 are shown below:
  - Expected income, including gaming win, food and beverage, hotel rooms revenue and other income increases by 24% for the 2023 financial year, 5% for the 2024 year end, then levels out to normal trading level increases of 4% over the following years (31 March 2022: expected income, including gaming win, food and beverage, hotel rooms revenue and other income increased by 24% for the 2023 financial year, then levelled out to normal trading level increases of 3% over the following years); and
  - Expected operating expenditure costs increase on average by 21.9% for the 2023 financial year, then levels out to normal trading growths of 4.8% (31 March 2022: expected operating expenditure costs increased on average by 21.9% for the 2023 financial year, then levelled out to normal trading growths of 3.8%).
- Risk adjusted discount rate – the discount rate is calculated by using a weighted average cost of capital ("WACC") of the respective CGUs. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant CGUs (share beta and small stock premium). The average pre-tax discount rate has increased to 20.7% (31 March 2022: average 19.7%) for the casinos having an allocation of goodwill and licences in comparison with the prior year end due to a higher risk free rate and the group's higher weighted average cost of debt. The COVID-19 pandemic triggered a reduction in interest rates that has reversed since late 2021 in response to rising inflation, hence there have been a number of increases in rates by the South African Reserve Bank. The group believes these rates will return to more normal levels over the medium term; and
- Long-term growth rate – cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount. The growth rate estimations consider risks associated with the gaming, entertainment and hospitality industry in which the CGUs operate. The group considers a long-term growth rate of 5.0% more appropriate compared to the 31 March 2022 rate of 4.7% due to the higher inflationary conditions in the South African economy.

4 IMPAIRMENTS OF NON-CURRENT ASSETS continued

Goodwill and casino licences continued

Based on the above assumptions, it was determined that at the reporting date, no further impairments to either goodwill or casino licences or impairment reversals to casino licences were deemed necessary since the previous year end. A reasonable possible change in any key assumption on which management has based its determination of the CGU's recoverable amounts would not cause any CGU's carrying amount to exceed its recoverable amount due to sufficient headroom, with the exception of the following in respect of casino licences:

	30 September 2022			31 March 2022		
	1pp decrease in trading assumptions Rm	**1pp decrease in growth rate assumptions Rm**	**1pp increase in discount rate assumptions Rm**	1pp decrease in trading assumptions Rm	1pp decrease in growth rate assumptions Rm	1pp increase in discount rate assumptions Rm
Gold Reef City	**–**	**(127)**	**(185)**	–	(23)	(88)
Silverstar	**–**	**(25)**	**(53)**	–	–	–

5 FAIR VALUE ESTIMATION

The group fair values its investment properties (categorised as level 3 values in the fair value hierarchy), fair value through other comprehensive income ("FVOCI") investments (categorised as level 3 values in the fair value hierarchy) and its derivative financial instruments (interest rate swaps categorised as level 2 values in the fair value hierarchy). There were no transfers into or out of level 3 for any fair value assets during the period under review.

5.1 Investment properties

The group rents out commercial office space at its investment properties. The group has elected to measure investment properties at fair value. Fair values are estimated triennially by an independent appointed valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. For the intervening years, the fair values are estimated by management.

The fair value of the group's investment properties is determined using capitalised values of the projected rental income together with assessments of development land. Vacancies are considered based on the historical and current vacancy factors as well as the nature, location, size and popularity of the properties. The post COVID-19 pandemic effects have also been taken into account when determining the fair value of the group's investment properties. No adjustment to investment properties was deemed necessary at the reporting date.

5 FAIR VALUE ESTIMATION continued

5.1 Investment properties continued

At 30 September 2022 the significant unobservable inputs were as follows:

- Capitalisation rates applied to rental income vary between 9.25% and 9.50% (31 March 2022: varied between 9.25% and 9.50%); and
- Vacancy rate applied of between 10% and 15% (31 March 2022: varied between 10% and 15%).

Inter-relationships between key unobservable inputs and fair value measurement

The estimated fair value would increase/(decrease) if:

- Expected rental income were higher/(lower);
- Expected vacancy rate was lower/(higher); and
- The capitalisation rate was lower/(higher).

Sensitivities

The table below indicates the sensitivities of the aggregate investment property portfolio by increasing or decreasing value inputs as follows at 30 September 2022 and 31 March 2022:

	Increase Rm	Decrease Rm
1pp change in the projected rental income	3	(3)
1pp change in the capitalisation rate	(29)	36
1pp change in the vacancy rate	(4)	4

5.2 Financial asset at FVOCI

At the end of each reporting period, the group's 20% equity interest in each of SunWest and Worcester is remeasured, recognising the increase or decrease in other comprehensive income. A discounted cash flow valuation was used to estimate the fair values. The valuation models consider the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditures taking into account expected growths in net gaming win and other income generated from non-gaming related activities. These cash flow forecasts are aligned to the financial reporting periods of the respective entities, being 12 months to December each year. The expected net cash flows are discounted using a risk-adjusted post-tax discount rate.

The cash flow forecasts used in the valuation anticipate a recovery in trading for the entities' December 2022 reporting period off a low base for December 2021, with relatively high gaming growth in December 2023 year and reaching normal growth rate levels from the December 2024 reporting period. As mentioned in note 4, the terminal growth rate was revised upward based on inflation projections. The aforementioned were offset by a higher discount rate due to the increase in interest rates also mentioned in note 4, and among other factors, the discount rate estimation considers risks associated with the gaming, entertainment and hospitality industry in which SunWest and Worcester operate. Based on these assumptions, no adjustment to the carrying amount was necessary at the reporting date.

5 FAIR VALUE ESTIMATION continued

5.2 Financial asset at FVOCI continued

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 30 September 2022 are as follows:

- Expected income, including gaming win, hotel rooms revenue and other income increases by 55% for the entities' 2022 financial year, 6% for the December 2023 year end then levels out to normal trading level increases of 4% over the following years (31 March 2022: increased by 45% for the entities' 2022 financial year, then levelled out to normal trading level increases of 3% over the following years);
- Expected operating expenditure costs increase by 29% for the entities' 2022 financial year, 7% for the December 2023 financial year then levels out to normal trading increases of 4% over the following years (31 March 2022: increased by 24% for the entities' 2022 financial year, then levelled out to normal trading increases of between 3% and 4% over the following year);
- Risk-adjusted discount rate of 15.59% (31 March 2022: 14.65%) post-tax; and
- Long-term growth rate of 5.0% (31 March 2022: 4.7%).

The table below indicates the sensitivities for the valuation by increasing or decreasing the above inputs by 1pp:

	30 September 2022		31 March 2022	
	Increase Rm	**Decrease Rm**	Increase Rm	Decrease Rm
Expected gaming win growth	**49**	**(48)**	79	(75)
Operating expenditure cost growth	**(34)**	**33**	(39)	38
Risk-adjusted discount rate	**(71)**	**86**	(76)	92
Long-term growth rate	**66**	**(55)**	69	(56)

5.3 Derivative financial instruments

The fair value of the group's derivatives used for cash flow hedge accounting (interest rate swaps) is an asset of R41 million (31 March 2022: liability of R82 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 financial year end. The reason for the move since the 31 March 2022 year end is due to an increase in market related interest rates since then, as well as the maturity of swaps with a notional amount of R4.0 billion during the prior financial year. The amount recognised in finance costs in respect of the interest rate swap instruments is R41 million (six months ended 30 September 2021: R104 million). No amount has been expensed in profit or loss due to ineffectiveness of the group's cash flow hedge for the reporting period to 30 September 2022 (30 September 2021: Rnil).

6 CHANGES IN INTEREST-BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES

Changes arising from financing activities for the period ended 30 September 2022 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings of R72 million (31 March 2022: R72 million), are as follows:

	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2022	**7 400**	**2 279**	**9 679**
Borrowings raised	**166**	**–**	**166**
Borrowings repaid	**(6)**	**(680)**	**(686)**
Interest raised for the year	**–**	**293**	**293**
Interest paid during the year	**–**	**(287)**	**(287)**
At 30 September 2022	**7 560**	**1 605**	**9 165**

	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2021	10 300	949	11 249
Borrowings repaid	–	(1 170)	(1 170)
Borrowings reclassification to short-term	(2 900)	2 900	–
Interest raised for the year	–	585	585
Interest paid during the year	–	(985)	(985)
At 31 March 2022	7 400	2 279	9 679

Borrowings raised of R166 million during the reporting period were in respect of the non-controlling interests funding their portion of the group's acquisition in Emerald Safari Resort Proprietary Limited as per note 7.

6 CHANGES IN INTEREST-BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES continued

Changes arising from lease liabilities for the period ended 30 September 2022 are as follows:

	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2022	**295**	**42**	**337**
New leases raised	**6**	**3**	**9**
Principal elements of lease payments	**–**	**(20)**	**(20)**
Termination of leases	**–**	**(8)**	**(8)**
Lease concessions practical expedient applied	**–**	**(2)**	**(2)**
Reclassification to current	**(20)**	**20**	**–**
At 30 September 2022	**281**	**35**	**316**

	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2021	266	40	306
New leases raised	56	5	61
Lease finance costs – non-cash portion	–	4	4
Principal elements of lease payments	(4)	(27)	(31)
Remeasurement of leases	(9)	24	15
Termination of leases	–	(4)	(4)
Lease concessions practical expedient applied	–	(14)	(14)
Reclassification to current	(14)	14	–
At 31 March 2022	295	42	337

7 ACQUISITION OF BUSINESS

The group acquired an effective 55% shareholding in Emerald Safari Resort Proprietary Limited operating in Gauteng, effective 12 September 2022. Emerald requires an appropriate turnaround strategy to ensure a sustainable and viable future for all stakeholders which can be achieved with the group's experience and resources.

The fair value of the net assets acquired equated to the fair value of the consideration paid at the date of acquisition. The acquired business contributed income of R19 million and profit of R1 million to the group for the period from date of control to 30 September 2022. Had the acquisition been effective on 1 April 2022 the contribution to revenue would have been R177 million and net profit of R4 million would have been the contribution to profit after tax. These amounts have been calculated using the group's accounting policies.

	Rm
The provisional fair value of net assets acquired:	
Non-current assets	
Property, plant and equipment	**387**
Intangible assets	**5**
Current assets	
Inventory	**5**
Trade and other receivables	**26**
Cash and cash equivalents	**62**
Non-current liabilities	
Deferred income tax liabilities	**(31)**
Current liabilities	
Trade and other payables	**(56)**
Total identifiable net assets acquired	**398**
Fair value of the consideration:	
Cash consideration paid	**(379)**
Loan used to offset purchase consideration	**(15)**
Cash consideration to be settled on finalisation of working capital	**(4)**
Total fair value of consideration	**(398)**
Net outflow of cash on acquisition:	
Cash consideration for acquisition	**(379)**
Add: Cash balances acquired with acquisition	**62**
Net outflow of cash – investing activities	**(317)**

Non-controlling interests do not arise on the acquisition, as the group, together with the non-controlling interests, funded the acquisition in accordance with their pro-rata shareholding percentages (refer to note 6).

8 RELATED PARTY TRANSACTIONS

The group had no significant related party transactions during the period under review, nor entered into any new significant related party transactions during this period, other than as mentioned below.

During September 2022, the group concluded a separation agreement with regards to the cancellation of the management of 15 of its hotels by Southern Sun Limited ("SS") (previously "Tsogo Sun Hotels Limited") for a cost of R399 million, and the disposal of its remaining two hotels to Hospitality Property Fund (a subsidiary of SS) for a total consideration of R142 million (carrying value R70 million). Accordingly, in terms of the separation agreement, the gaming hotels are being incorporated into the group's own management and operational structure. These transactions are considered related party transactions due to the company's ultimate controlling shareholder being Hosken Consolidated Investments Limited ("HCI"), and HCI also being a major shareholder of SS.

9 CAPITAL COMMITMENTS

A total of R226 million for maintenance capital items, which is anticipated to be spent during the next 12 months, has been contracted for.

10 GOING CONCERN

The group's results for the six months ended 30 September 2022 ended close to pre-COVID-19 levels and even though the recovery remains slow, it is indicative of a positive outlook for the remainder of the financial year and beyond. The group's net debt to adjusted EBITDA ratio for the past rolling 12 months, as measured for covenant purposes, amounted to a 2.22 times multiple of adjusted EBITDA, with the required ratio in terms of the group's debt covenants being less than a 3.0 times multiple. At the date of this report, the directors are not aware of any circumstances whereby the group should not be able to achieve the covenant requirements for March 2023. The balance of the three-year debt tranche in the sum of R1.55 billion which is due for repayment at the end of November 2022 will be settled on due date utilising the group's revolving credit facilities ("RCF") and available operating cash. The group will apply available excess cash to repay the RCF as quickly as possible.

The cash flow and liquidity projections for the group were prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses. Based on the forecast performed, the directors are of the opinion that the group has sufficient access to liquidity and facilities to fund operations for the ensuing 12 months. The group's medium-term target remains to reduce its net debt levels to lower than a 2.0 times multiple of adjusted EBITDA, thereby further reducing risk and funding costs.

The group managed to reduce its net interest bearing debt and guarantees by R535 million despite net cash outflows of R506 million relating to acquisitions and the cancellation of the hotel management contracts.

10 GOING CONCERN continued

The group has resumed declaring dividends with a dividend in respect of the 2022 financial year end paid in October and an interim dividend in respect of the 2023 financial year to be paid in December 2022.

Although current liabilities exceed current assets at 30 September 2022, the group's forecast reflects that it will generate sufficient cash flows during the period to meet all trading liability obligations.

After taking the above factors into account, the directors consider the going concern method to be appropriate for the presentation of these condensed unaudited consolidated interim financial statements.

11 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than the dividend declaration noted below, the directors are not aware of any matters or circumstances arising since the end of the financial period, not otherwise dealt with within these condensed unaudited consolidated interim financial statements that would affect the operations or results of the group significantly.

Subsequent to the company's reporting date, on 24 November 2022, the board of directors declared an interim gross cash dividend which will be paid on 27 December 2022 out of distributable reserves. The dividend of R315 million has not been recognised as a liability at the reporting date.

Forward-looking statements

This 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 performance of the company 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 board and have not been reviewed and reported on by the external auditors in accordance with ISAE 3400 *The Examination of Prospective Financial Information*. The group neither accepts any responsibility for any loss arising from the use of the information contained in this report nor undertakes to update or revise any of its forward-looking statements publicly.

DIRECTORS

JA Copelyn (Chairman)*
CG du Toit (Chief Executive Officer)
G Lunga (Chief Financial Officer)
MJA Golding** BA Mabuza (Lead Independent)**
F Mall** VE Mphande** Y Shaik* RD Watson**
*(*Non-executive Director **Independent Non-executive Director)*

COMPANY SECRETARY

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MONTECASINO SUNCOAST Gold Reef City SILVERSTAR GOLDEN HORSE
EMNOTWENI THE RIDGE HEMINGWAYS | CASINO GARDEN ROUTE MYKONOS
the Caledon BLACKROCK GOLDFIELDS SLOTS Galaxy BINGO GAMING • ENTERTAINMENT