Tsogo Sun Hotels Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/006356/06)
Share code: TGO
ISIN: ZAE000272522
(‘Tsogo Sun Hotels’ or ‘the company’ or ‘the group’)

Condensed unaudited consolidated interim financial statements
for the six months ended 30 September 2020
Commentary

These interim results clearly reflect the devastating impact that Covid-19 and the accompanying lockdown regulations have had on the hospitality industry in general and our group in particular. With effect from 27 March 2020, as part of the nationwide lockdown, the group’s entire portfolio in South Africa, Africa and the Seychelles was deactivated with the exception of those hotels designated as quarantine facilities or as accommodation for essential service providers and persons awaiting repatriation.

**COVID-19 STATUS AND ACTION PLAN**

Since then, the group has been in close communication with its lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in these extraordinarily difficult times. The group has implemented the following steps to reduce costs and preserve cash:

- **Reduction of payroll burden:** The group understands that this is an extremely stressful time for employees and is committed to engaging with them openly and honestly. The group continuously communicated with all management and staff, sharing the severe impact that Covid-19 and the national state of disaster had and continues to have on the business. The company consulted with employees to reach an agreement on the terms and conditions for a temporary layoff of staff in order to materially reduce pay for all levels including executive management and board members. At the end of March, a skeletal operating structure was established and the group will continue to operate on reduced staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases for 2021 and accrued bonus settlements relating to 2020 have been deferred.

- **The UIF TERS (“Temporary Employer/Employee Relief Scheme”)** has been of great assistance in alleviating the cash flow burden on both the company and its employees while hotels have been closed or operating at low occupancy levels. The group has processed R103 million in grants over the period, however with this assistance coming to an end and with occupancy levels unlikely to improve in the short term, the group will have to consider further operational restructuring to align headcount with trading levels.

- **Rent relief:** The group has received rental concessions from its various landlords and while terms varied, these mainly involved a discount in rent due for 2021 in exchange for the extension of lease terms by one year. In other instances, property owners agreed to forgo rent and cover operating costs including payroll, security, utilities and rates, while hotels were closed or trading at low occupancies. Refer to note 7.

- **Suppliers:** The group has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the group and while these obligations continue to be met, the group is lobbying government through industry bodies to grant discounts or rebates, particularly on hotels that remain closed.
• **Health and safety protocols:** With our culture of prioritising customer health and safety, the group was well placed to comply with these regulations and worked closely with government and the Tourism Business Council of South Africa to develop the health and safety protocols for the tourism industry as a whole. Since the group is already highly compliant in this area, the implementation of these protocols has not required material capex spend.

The group also has a number of health protocols and control measures to safeguard our employees. These measures include employee training, personal protective equipment and hygiene resources, social distancing and screening as well as increased sanitation and hygiene processes. Tsogo Sun Hotels’ digital learning platform provides Covid-19 modules that employees can access remotely to stay informed.

Management’s plan for the phased reopening of its portfolio as lockdown levels eased saw leisure hotels opening earlier to cater for demand for both intra and inter-provincial travel. The table below reflects the number of rooms sold system-wide (owned and managed hotels) in the South African portfolio on a monthly basis. This data excludes Covid-19-related contractual business relating to quarantine or isolation hotels during April and May 2020.

### South African system-wide portfolio – trend in sale of rooms

| Lockdown          | June Level 3 | July Level 3 | August Level 3|2 | September Level 2|1 | October Level 1 |
|-------------------|--------------|--------------|----------------|-----------------|-----------------|-----------------|
| Total 2020        | 9 687        | 20 117       | 33 710         | 66 268          | 88 370          |
| Total 2019        | 251 186      | 262 886      | 263 352        | 288 360         | 286 017         |
|                   | 4%           | 8%           | 13%            | 23%             | 31%             |

Regulations on international inbound travel were restrictive with many of the group’s key source markets, including Germany, the UK, France and the USA, prohibited from travelling to South Africa. This resulted in the cancellation of both Africa Oil and Mining Indaba scheduled for the first quarter of 2021, events which have historically benefited the group’s Cape Town hotels. Without international travel, the Cape region is expected to experience a slow recovery.

Many corporates have implemented travel restrictions and in order to limit social interaction, are likely to keep offices closed until January 2021. Together with government limiting travel and conferencing, the group will largely be reliant on the domestic leisure and sport segments over the coming months. Demand from these segments is expected to contribute to the group’s coastal and outlying properties, however many of the group’s larger Gauteng based hotels catering to corporate and government groups and conferencing business, are expected to remain closed until the first quarter of 2021.
REVIEW OF OPERATIONS
Total income for the six months ended 30 September 2020 of R335 million (2019: R2.1 billion) ended 84% below the prior year with a 91% decline in both hotel rooms’ revenue and food and beverage revenue. The R110 million reduction in property rental income to R27 million for the six months (2019: R137 million) reflects the impact of rental concessions granted by Hospitality Property Fund Limited (“Hospitality”) to third-party tenants during April and May 2020. Other income remained unchanged on the prior period and comprised a R40 million decline in external management fee income offset by contracted Covid-19-related income of R117 million relating to hotels used as quarantine and isolation facilities as well as the Premier Soccer League bio-bubble.

Trading for the group’s South African hotels for the six months recorded system-wide revenue per available room (“RevPar”) 68% down on the prior period at R216 (2019: R669) due to a 7% decrease in average room rates to R994 (2019: R1,067) and a 40.9 percentage points (“pp”) decline in occupancies from the prior period to 21.8% (2019: 62.7%). Occupancy for the current six month period is expressed as a percentage of rooms available in open hotels only.

The management activities of the South African hotels net of group corporate office costs (including Hospitality’s central costs) incurred Ebitdar (earnings before interest, taxation, depreciation, amortisation and rent) losses of R51 million (2019 profit: R64 million) for the six months. This performance results from a R112 million decrease in internal and external management fee income due to the impact of Covid-19; the release of loyalty programme forfeitures in the prior period of R21 million, other central office cost increases of R22 million including insurance premiums offset by a R40 million saving in central employee costs.

Rental income (net of rates and taxes) from the eight externally managed hotel properties owned by Hospitality of R3 million (2019: R123 million) declined by R120 million from the prior period. This is largely due to the Westin Hotel remaining closed throughout the six-month period, only opening on 1 October 2020, and the Birchwood Hotel operating mostly on Covid-19-related isolation and quarantine business with minimal conferencing. The balance of the portfolio also performed poorly due to the weighting towards the Cape Town and Gauteng markets and reliance on the international, corporate and government segments all of which suffered under the Covid-19 restrictions during the first half of the year.

Overall, revenue for the South African hotel portfolio owned and leased by the group closed the six months at R264 million (2019: R1.6 billion). All regions were severely affected by the impact of Covid-19 with the Inland region recording the largest decline at R470 million (R497 million excluding the R27 million revenue contribution from the Sandton Consortium hotels), followed by the Cape region at R422 million and finally, the KwaZulu-Natal region declining by R362 million on the prior comparative period. The Other segment fared slightly better with revenue declining by R82 million from the prior six-month period. The Sun1 portfolio achieved some success in securing Covid-19 isolation business due to their smaller size and affordable price point which allowed corporates to secure entire hotels for isolation and
screening purposes. The internally managed segment recorded Ebitdar losses of R126 million (2019 profit: R302 million) for the six months ended 30 September 2020.

Total income for the offshore division of hotels of R41 million (2019: R305 million) for the six months relates entirely to the Southern Sun Maputo which was the only owned hotel in the offshore portfolio that traded throughout the lockdown period. Southern Sun Ikoyi Nigeria and Southern Sun Ridgeway Zambia commenced trading in September 2020, however the recent violence in Lagos Nigeria has stifled any traction in trading in the region. The balance of the owned offshore portfolio including StayEasy Maputo, Southern Sun Dar es Salaam and Paradise Sun remain closed and management continues to monitor demand levels for signs of reactivation. The offshore division incurred Ebitdar losses of R32 million (2019 profit: R70 million).

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

<table>
<thead>
<tr>
<th>For the six months ended 30 September</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy (%)</td>
<td>21.6</td>
<td>59.1</td>
</tr>
<tr>
<td>Average room rate (R)</td>
<td>1 007</td>
<td>1 036</td>
</tr>
<tr>
<td>RevPar (R)</td>
<td>217</td>
<td>613</td>
</tr>
<tr>
<td>Rooms available (’000)</td>
<td>559</td>
<td>2 126</td>
</tr>
<tr>
<td>Rooms sold (’000)</td>
<td>121</td>
<td>1 257</td>
</tr>
<tr>
<td>Rooms revenue (Rm)</td>
<td>121</td>
<td>1 303</td>
</tr>
</tbody>
</table>

Property and equipment rental income of R13 million (2019 expense: R35 million) include IFRS 16 rent concessions of R26 million whereby the group elected to apply the practical expedient as allowed by IFRS 16 (2019: nil). Excluding the IFRS 16 and rent concession adjustments, the group incurred cash rent of R51 million in the current six months compared to R106 million in the prior comparative period which was mainly due to the settlement of the rent prepayment discount negotiated with certain landlords. Amortisation and depreciation at R183 million (2019: R173 million) includes IFRS 16 adjustments of R37 million (2019: R22 million). Excluding these IFRS 16 adjustments amortisation and depreciation declined by R5 million on the prior period due mainly to year end impairments recognised against property, plant and equipment on a group level. The net pre-tax impact of IFRS 16 on the group’s income statement is a R38 million expense (2019: nil) for the six-month period including rent concessions received.

The long-term incentive expense in the income statement on the equity-settled share incentive scheme of R4 million declined by R3 million compared to the prior period charge of R7 million. The variance on the prior period is as a result of forfeitures relating to participants who have left the group’s employ during the six-month period. No new grants have been made to participants during the period under review.

Exceptional gains for the period of R336 million (2019 loss: R24 million) relate mainly to the profit on sale of the group’s 50% investment in United Resorts and Hotel Limited which owns the Maia Luxury Resort and Spa (“Maia”) of R355 million (2019: nil), offset by restructuring costs of R10 million (2019: R21 million), transaction costs of R5 million (2019: R2 million) and pre-opening costs of R4 million (2019: nil). Management has assessed the fair value of the group’s investment properties and assessed goodwill and property,
plant and equipment for impairment by reviewing the cash flow forecasts, which we believe still adequately reflect the negative impact of Covid-19 on cash flows generated by the underlying hotels for the financial years ending March 2021 and March 2022; as well as various technical inputs including the 10Y bond yield which has declined from its peak in March 2020 of 10.51% to 9.45% as at 30 September 2020. Based on these factors, management is of the view that the values of investment properties, goodwill and property, plant and equipment are fairly stated at 30 September 2020 and no fair value adjustments or additional impairment is required. The valuations of investment properties and impairment assessments of goodwill and property, plant and equipment, will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

Net finance costs of R184 million include IFRS 16 adjustments of R65 million (2019: R49 million) and excluding this impact, have declined by R11 million due to reduced offshore debt balances following the sale of Maia as well as the reduction in interest rates.

The share of loss of associates and joint ventures of R109 million (2019 profit: R21 million) declined by R130 million on the prior period mainly due to the group’s share of fair value losses on investment properties owned by International Hotel Properties Limited of R90 million. In addition, the group’s share of losses declined by R40 million from the prior period profit of R21 million. This performance is directly related to the impact of Covid-19 and the lockdowns instituted in the UK, the most recent of which is in response to the second wave of infections.

The income tax credit for the six months of R91 million (2019 expense: R38 million) relates primarily to deferred tax raised on assessed losses incurred over the six-month period. The deferred tax asset has been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Losses attributable to non-controlling interests of R70 million (2019 profit: R70 million) relate mainly to losses incurred by Hospitality over the last six months. As a result of Tsogo Sun Hotels’ acquisition of additional shares in Hospitality addressed in further detail under Corporate Actions, non-controlling interests declined from 40.8% to 24.6% as at 30 September 2020.

Group adjusted headline losses for the period at R426 million (2019 profit: R73 million) declined by R499 million. The adjustments to the current period includes the reversal of the post-tax and non-controlling interest impacts of the exceptional gains noted above. The weighted average number of shares in issue increased as a result of the acquisition of additional Hospitality shares in exchange for the issue of 166 million shares in Tsogo Sun Hotels and the resultant adjusted headline loss per share recorded is 39.1 cents (2019 earnings: 13.3 cents).

Cash utilised in operations for the period of R259 million (2019 generated from: R231 million) comprises trading income and debtors’ receipts offset by employee costs of R241 million, utilities and property rates of R139 million, other operating costs of R161 million, net finance costs (cash) of R119 million, tax paid of R40 million and rent of R51 million. Cash flows generated from investment activities of R436 million (2019 utilised in: R382 million) consisted mainly of the proceeds on the disposal of Maia net of capital expenditure of R29 million group-wide.
Interest-bearing debt net of cash at 30 September 2020 totalled R3.0 billion, which is R246 million below the 31 March 2020 balance of R3.2 billion. It comprises increased debt funding of R27 million to fund operations during the Covid-19 lockdown period, offset by the proceeds from the sale of Maia of R465 million and a further settlement of offshore debt of R74 million. A currency translation gain of R78 million was recognised on the US Dollar denominated loans.

**FUNDING CAPACITY AND COVENANTS**

The group’s liquidity and access to facilities are of paramount importance and as previously reported, the group has received covenant waivers from all its lenders for the minimum covenant requirements (leverage and interest cover ratios) as at 30 September 2020. The group has finalised the terms of March 2021 covenant waivers with its lenders who have requested revised covenants as a means of measuring trading and liquidity. In order to address this, revised covenants have been introduced at Tsogo Sun Hotels level which establishes a maximum rolling 12-month negative Ebitda (“Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items”) level. This Ebitda threshold excludes the Covid-19 interventions undertaken by the group as discussed earlier. In addition, a minimum liquidity level of R500 million is required which includes available facilities and cash on hand. These covenants will be measured quarterly at December 2020 and March 2021. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. Management believes that there is adequate headroom currently in place to achieve these revised covenant thresholds and is in continuous contact with lenders. At a Hospitality level, lenders have introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand.

The lenders to both Tsogo Sun Hotels and Hospitality have been very supportive of the group during this challenging period and have approved the covenant waivers for March 2021.

The group has an unutilised R600 million facility which will be due for renewal within the next 12 months.

Global Credit Ratings downgraded Hospitality’s long and short-term credit rating to BBB(ZA)/A3(ZA) respectively. Concurrently, the ratings assigned to the Senior Secured Notes issued by Hospitality have been downgraded to A+(ZA)(EL) from AA(ZA) (EL). The outlook on all the ratings has been maintained on Rating Watch Negative. The downgrade to Hospitality reflects the uncertain operating environment in which it operates, with its income severely reduced to the economic impact of the Covid-19 pandemic.

**CORPORATE ACTIONS**

Maia

On 13 July 2020, the group announced the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of US$27.8 million or approximately R465 million. The group’s intention since the listing has been to reduce the US Dollar denominated interest-bearing debt. Covid-19 has limited the group’s ability to apply cash resources towards the settlement of this debt. The proceeds from the sale of this hotel assists in achieving this objective.
Hospitality
Hospitality has consistently traded below its net asset value despite owning a portfolio of valuable hotels. The nature of the business of Tsogo Sun Hotels (“TGO”) and Hospitality (“HPB”) are substantially similar and have in principle the same economic drivers. Hotels owned by Hospitality and operated by Tsogo Sun Hotels make up the vast majority of both groups’ economic value. As announced, the group entered into various share for share transactions between July and September 2020 to acquire 94 million additional HPB shares from Hospitality shareholders in exchange for 166 million shares in Tsogo Sun Hotels at an exchange ratio of 1.77 TGO shares for every 1 HPB share held. To preserve cash resources in order to withstand the impact of Covid-19, management considered it prudent to use ordinary shares in the company, as opposed to cash, for the purposes of acquiring additional Hospitality shares. As at 30 September 2020, the group had increased its shareholding in Hospitality to 75.4%.

On 30 September 2020 the board of directors of Hospitality and the board of directors of Tsogo Sun Hotels approved a transaction by which Tsogo Sun Hotels will offer to acquire all of the ordinary shares with no par value in the issued share capital of Hospitality, other than the Hospitality shares already owned by Tsogo Sun Hotels, its subsidiaries and treasury shares (“Offer”). An application will be made for the delisting of all Hospitality shares from the main board of the Johannesburg Stock Exchange (“JSE”), being the securities exchange operated by the JSE Limited.

The consideration in respect of the Offer will be settled by the issue of no par value ordinary shares in the issued share capital of Tsogo Sun Hotels at a ratio of 1.77 TGO shares for every one HPB share acquired by Tsogo Sun Hotels. A general meeting of Tsogo Sun Hotels’ and Hospitality shareholders will be held on Thursday, 19 November 2020 to consider and, if deemed fit, pass the resolutions required to approve and implement the Offer.

The Tsogo Sun Hotels group currently includes two listed companies, both exposed to the hospitality sector and with many interrelated services and offerings. If the Offer is implemented, it will allow Hospitality shareholders to benefit from a larger and further diversified portfolio of hotels.

The successful implementation of the Tsogo Sun Hotels Offer will:
• allow for Hospitality shareholders to benefit from a significant company within the Tsogo Sun Hotels group that has been trading since 1969, with complementary assets in addition to Hospitality’s asset holding, and further simplify the Tsogo Sun Hotels group;
• grant Hospitality shareholders an opportunity to swap their Hospitality shares into Tsogo Sun Hotels shares, thereby fully aligning the interests of Tsogo Sun Hotels and the interests of those Hospitality shareholders, and creating significantly more liquidity for those shareholders by holding Tsogo Sun Hotels shares than what they currently have given the very limited liquidity in Hospitality shares as recently traded on the JSE; and
• simplify Tsogo Sun Hotels’ corporate and operating structure, as Hospitality could become a wholly owned subsidiary of Tsogo Sun Hotels if the Offer were to be implemented, thereby reducing structural complexity and costs associated with maintaining two separate listings on the JSE.
GOING CONCERN

The condensed unaudited consolidated interim financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take as detailed above, 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 2020, the group has net cash and cash equivalents of R379 million (March 2020: R722 million). The group has R3.4 billion (March 2020: R4.0 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.7 billion in undrawn short-term facilities to meet its obligations as they become due.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the Covid-19 pandemic on the group’s operations and liquidity was considered. The board of directors of the company (“directors”) has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations and to counteract the expected losses that may result from the Covid-19 impact on the group’s operations in the next financial year.

PROSPECTS

While we are encouraged by the recent move to level 1 of the national lockdown and the group now trading at approximately 68% of the hotels in its portfolio, the recovery of the hospitality industry is expected to be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals leading to reduced spend on hotel accommodation and conferences.

The lifting of the international travel ban, subject to strict health and safety protocols, as announced by President Ramaphosa on 11 November 2020 is a positive step towards reviving the South African tourism sector. While this is unlikely to have a material impact on volumes in the short term, it does give the international market certainty that South Africa is open for business. This should benefit the Cape and Sandton regions in particular and we look forward to welcoming our international guests with our signature warm hospitality.

In this low revenue environment, where Hospitality is increasing its debt burden and building on its assessed loss through covering the fixed property-related costs of the hotels, such as administered costs, insurance and security via the working capital facility catered for in the lease agreements, the preference going forward is to retain cash resources. The successful implementation of the Offer will eliminate the pressure for Hospitality to declare pre-tax cash distributions, post the recovery of activity levels in order to retain its REIT status and will allow the group to focus on rebuilding the balance sheet and protecting the livelihoods of the many stakeholders who depend on the Tsogo Sun Hotels group – from our employees and suppliers to our communities and investors.

DIVIDEND

Given the anticipated extended period of minimal revenue, the directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this difficult period until trading normalises. Accordingly, the directors have not declared an interim cash dividend for the six-month period ended 30 September 2020.
EVENTS OCCURRING AFTER BALANCE SHEET DATE

Three of Hospitality’s properties were vacated during the period, being the Protea Hotel Hazyview (“Hazyview”), The Edward hotel and the Mount Grace Country House & Spa (“Mount Grace”). The Mount Grace successfully reopened its doors on 9 September 2020 under a management agreement with Tsogo Sun Hotels, and similarly, Hazyview, together with the iconic Edward hotel in Durban, will reopen their doors under Tsogo Sun management before December 2020.

On 1 October 2020, Hospitality has entered into a sale of shares agreement with the previous controlling shareholders of Vexicure Pty Ltd (“Vexicure”). Hospitality previously held 5% of the issued shares of Vexicure and has increased its shareholding to 85%. Vexicure is the tenant company for the Westin hotel in Cape Town and the current lease agreement between Hospitality and Vexicure will remain in force.

On 1 November 2020, Hospitality also entered into a sale of shares agreement with the previous controlling shareholders of Ash Brook Investments 72 (Pty) Ltd (“Ash Brook”). Hospitality previously held 15% of the issued shares of Ash Brook and has increased its shareholding to 100%. Ash Brook is the tenant company for the Radisson Blu Gautrain hotel in Sandton and the current lease agreement between Hospitality and Ash Brook will remain in force.

As a result of the implementation of the Vexicure and Ash Brook sale agreements and the inclusion of the three properties mentioned above (under management agreements with Tsogo Sun Hotels), Hospitality anticipates that non-rental income would comprise more than 25% of gross income in respect of the year ending 31 March 2021, notwithstanding that the lease agreements with the Tsogo Sun Hotels group, will remain in place. Consequently, it is unlikely that Hospitality will meet the qualifying distribution requirements to retain its REIT status.

Management is in the process of assessing the accounting implications of the acquisition of the tenant companies, Vexicure and Ash Brook, however initial indications are that the Westin and Radisson Blu Gautrain hotels will be treated as owner-occupied properties going forward.

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 13 of these condensed unaudited consolidated financial statements, all of which are non-adjusting events and have no impact on the interim results for the six months ended 30 September 2020.

PRESENTATION

Shareholders are advised that a presentation to analysts and investors which provides additional analysis will be available on the group’s website at www.tsogosun.com/investors/results-presentations in due course. Any questions on the presentation can be e-mailed to companysecretaryTGO@tsogosun.com.

M von Aulock  
Chief Executive Officer  
13 November 2020

L McDonald  
Chief Financial Officer
Notes to the condensed unaudited consolidated interim financial statements
for the six months 30 September

1  BASIS OF PREPARATION
The condensed unaudited consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. Chief Financial Officer, L McDonald CA(SA), supervised the preparation of these condensed unaudited consolidated interim financial statements. The accounting policies are consistent with IFRS as well as those applied in the most recent audited financial statements as at 31 March 2020. The condensed unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRS. This interim report, together with any forward looking information contained in this report, has not been audited or reviewed by the company’s auditors.

2  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 2021 or later periods, which the group has not early adopted, would have a material impact on the group.

3  FAIR VALUE MEASUREMENT
The group fair values its investment properties (categorised as level 3 values) and its interest rate swaps (categorised as level 2 values). There were no transfers into or out of level 3 financial instruments, other than as shown below.

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

<table>
<thead>
<tr>
<th></th>
<th>30 September 2020</th>
<th>31 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Opening net carrying amount</td>
<td>4 149</td>
<td>4 881</td>
</tr>
<tr>
<td>Acquisition and development of investment properties</td>
<td>11</td>
<td>160</td>
</tr>
<tr>
<td>Transfer to owner-occupied property(^{(1)})</td>
<td>(267)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(4)</td>
</tr>
<tr>
<td>Fair value adjustments recognised in profit or loss</td>
<td>–</td>
<td>(888)</td>
</tr>
<tr>
<td><strong>Closing net carrying amount</strong></td>
<td><strong>3 893</strong></td>
<td><strong>4 149</strong></td>
</tr>
</tbody>
</table>

\(^{(1)}\) The transfer to owner-occupied property relates to Mount Grace Hotel & Spa and Arabella Hotel Golf & Spa which is now operated and managed within the group.
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 the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the South African 10Y bond yield at the time of valuation, to which premiums for market risk and equity and debt costs is added. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. Management has assessed the fair value of the group’s investment properties by reviewing the cash flow forecasts, which we believe still adequately reflect the negative impact of Covid-19 both on cash flows generated by the underlying hotels for the financial years ending March 2021 and March 2022 and the rent concessions granted to tenants during April and May 2020. In addition, various technical inputs have been reviewed including the 10Y bond yield which has declined from its peak in March 2020 of 10.51% to 9.45% as at 30 September 2020.

Based on these factors, management is of the view that the fair value of investment properties are fairly stated at 30 September 2020 and no additional fair value adjustment is required. The valuation of investment properties will be reassessed at 31 March 2021 by an external appointed valuer.

3.2 Interest rate swaps
Hedge accounting is applied to the group’s interest rate swaps. The group’s primary interest-rate risk arises from long-term borrowings (excluding bank overdrafts). In line with group policy, a portion of the group debt is hedged.

Fixed interest rate swaps ranged from 6.69% to 7.42% as at 30 September 2020 referenced against the three-month JIBAR of 3.36% (Fixed interest rate swaps ranged from 6.69% to 7.42% as at 31 March 2020 referenced against the three-month JIBAR of 5.61%).

The fair value of the group’s derivatives used for hedge accounting is a net liability of R115 million (31 March 2020: R50 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 year. The group’s derivatives at 30 September 2020 are all effective.
4 CHANGES IN INTEREST-BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES

Changes arising from financing activities for the six months ended 30 September 2020 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Long term Rm</th>
<th>Short term Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April 2020</td>
<td>3 974</td>
<td>–</td>
<td>3 974</td>
</tr>
<tr>
<td>Borrowings raised</td>
<td>27</td>
<td>–</td>
<td>27</td>
</tr>
<tr>
<td>Borrowings repaid</td>
<td>(539)</td>
<td>–</td>
<td>(539)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(78)</td>
<td>–</td>
<td>(78)</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Balance at 30 September 2020</td>
<td>3 385</td>
<td>–</td>
<td>3 385</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Long term Rm</th>
<th>Short term Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April 2019</td>
<td>2 885</td>
<td>290</td>
<td>3 175</td>
</tr>
<tr>
<td>Borrowings raised</td>
<td>2 179</td>
<td>–</td>
<td>2 179</td>
</tr>
<tr>
<td>Borrowings repaid</td>
<td>(1 361)</td>
<td>(290)</td>
<td>(1 651)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>268</td>
<td>–</td>
<td>268</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Balance at 30 March 2020</td>
<td>3 974</td>
<td>–</td>
<td>3 974</td>
</tr>
</tbody>
</table>

5 RELATED PARTY TRANSACTIONS

5.1 Transactions with non-controlling interests

The group acquired additional ordinary shares in Hospitality. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the company’s board to acquire assets in exchange for ordinary shares in Hospitality. On 10 July 2020 this resolution was duly approved by the company’s shareholders entitled to exercise more than 50% of the voting rights exercisable thereon.

The company has entered into share-for-share agreements with Allan Gray Proprietary Limited (acting for and on behalf of numerous of their clients under discretionary mandates), and numerous clients of each of Aylett & Co Proprietary Limited, Prudential Investment Managers (South Africa) Proprietary Limited and Bateleur Capital Proprietary Limited (each of whom acted on behalf of their clients under discretionary mandates) to acquire, in aggregate, 46 137 907 Hospitality shares from their respective clients, in aggregate constituting 7.98% of Hospitality’s issued share capital. The shares were acquired in exchange for the issue and allotment of 81 664 082 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every one Hospitality share acquired.
The group has also entered into share-for-share agreements with the trustees of the HCI Foundation and with Elsitime Proprietary Limited to acquire in aggregate 33,367,919 Hospitality shares constituting 5.77% of Hospitality’s issued share capital. These shares were acquired in exchange for the issue and allotment of 59,061,217 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 which is the same exchange ratio as applied to previous transactions concluded with other Hospitality shareholders as described earlier. On the same date, the group acquired 11,964,417 shares in Hospitality from other non-controlling shareholders in exchange for 21,177,018 Tsogo Sun Hotels shares at the same exchange ratio of 1.77. The effective date of these transactions was on 19 August 2020. Marcel von Aulock and Laurelle McDonald hold 75% and 25% respectively of the issued share capital of Elsitime Proprietary Limited.

A further 2,387,453 Hospitality shares were acquired from Steyn Capital Management Proprietary Limited on 2 September 2020 in exchange for the issue and allotment of 4,225,791 Tsogo Sun Hotels ordinary shares at an exchange rate of 1.77 Tsogo Sun hotels shares for every one Hospitality share acquired. This acquisition increased the company’s shareholding in Hospitality to 75.4%.

5.2 **Offer to acquire all of Hospitality Property Fund’s ordinary shares**

On 30 September 2020 the board of directors of Hospitality and Tsogo Sun Hotels approved a transaction by which Tsogo Sun Hotels will offer to acquire all of the ordinary shares with no par value in the issued share capital of Hospitality, other than the Hospitality shares already owned by Tsogo Sun Hotels, its subsidiaries and treasury shares (“the Offer”). An application will be made for the delisting of all Hospitality shares from the main board of the Johannesburg Stock Exchange (“JSE”), being the securities exchange operated by the JSE Limited.

The consideration in respect of the Offer will be settled on the same terms as the share-for-share transactions concluded with various Hospitality shareholders between July 2020 and August 2020, that is, at a ratio of 1.77 Tsogo Sun shares for every one Hospitality share acquired by Tsogo Sun Hotels. A general meeting of Tsogo Sun Hotels’ and Hospitality shareholders will be held on Thursday, 19 November 2020 to consider and, if deemed fit, pass the resolutions required to approve and implement the Offer.

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

6 **SALE OF INVESTMENT IN MAIA JOINT VENTURE**

The group entered into a sale of shares and loans agreement with MH Limited, part of the Minor Hotels Group, dated 13 July 2020 in terms of which Southern Sun Africa disposed of its entire 50% beneficial interest comprising shares and loan claims against United Resorts and Hotels Limited which owns the Maia Luxury Hotels and Resort for aggregate proceeds of US$27.8 million being approximately R465 million. The group accounted for its investment in Maia as an equity accounted joint venture and a gain of R355 million has been recognised on the sale of this investment.
7 RENTAL CONCESSIONS

As permitted by IFRS 16, the group early adopted the amendment with effect from 1 April 2020 retrospectively although there was no adjustment to the opening balance of retained earnings at the same date. The International Accounting Standards Board issued amendments to IFRS 16 to simplify how lessees account for rent concessions. As a practical expedient, a lessee may elect not to assess whether a rent concession that meets specific conditions per the amendment is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change, applying IFRS 16 as if the change were not a lease modification. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient in the amended standard applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The group applied the practical expedient to all of its leases where it is a lessee and rent concessions were granted to the group retrospectively with effect from 1 April 2020. This had the effect of reducing rental expenses and lease liabilities by R26 million.

For these properties, cash rent for the six-month period was R29 million. If no rental concessions were received, the cash rent for these properties would have been R55 million.

All the group’s rent concessions are as a result of the Covid-19 pandemic and the lease payments are substantially the same as the consideration for the lease immediately preceding the change. The reduced lease payments are not expected to affect lease payments after 30 June 2021 and there is no substantive change to other terms and conditions of the lease.
8 IMPAIRMENTS
Management have assessed the group’s goodwill and property, plant and equipment for impairment by reviewing the cash flow forecasts, which we believe still adequately reflect the negative impact of Covid-19 on cash flows generated by the underlying hotels for the financial years ending March 2021 and March 2022; as well as various technical inputs including the 10Y bond yield which has declined from its peak in March 2020 of 10.51% to 9.45% as at 30 September 2020. Based on these factors, management is of the view that the carrying values of goodwill and property, plant and equipment are fairly stated at 30 September 2020 and no additional impairment is required. The impairment assessments of goodwill and property, plant and equipment, will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

9 GOING CONCERN
The condensed unaudited consolidated interim financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, 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 2020, the group has net cash and cash equivalents of R379 million. The group has R3.4 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.7 billion in undrawn short-term facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the continuing impact of the Covid-19 pandemic on the group’s operations and liquidity was considered. The board of directors of the company has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations and to counteract the losses.

10 CAPITAL COMMITMENTS
The group spent R32 million on maintenance and expansion capex for the six months ended 30 September 2020. The group has committed capital spend of R34 million, of which majority has been placed on hold and the group does not anticipate to spend this over the next six months.
11 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 has been no change to the basis of segmentation or to the basis of measurement of segment profit or loss from the year ended 31 March 2020.

The CODM assesses the performance of the operating segments based on Ebitdar. The measure excludes the effects of long-term incentives 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.

12 CONTINGENT LIABILITIES
The group had no significant contingent liabilities as at 30 September 2020.

13 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE
Other than what is dealt with in note 5.2, the directors are not aware of any matter or circumstance arising since the balance sheet date and the date of this report.
### Condensed consolidated income statement
for the six months ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change %</td>
<td></td>
</tr>
<tr>
<td>Rooms revenue</td>
<td>(91)</td>
<td>121</td>
</tr>
<tr>
<td>Food and beverage revenue</td>
<td>(91)</td>
<td>47</td>
</tr>
<tr>
<td>Property rental income</td>
<td>27</td>
<td>137</td>
</tr>
<tr>
<td>Other income</td>
<td>140</td>
<td>139</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>(84)</td>
<td>335</td>
</tr>
<tr>
<td>Property and equipment rentals</td>
<td>13</td>
<td>(35)</td>
</tr>
<tr>
<td>Amortisation and depreciation</td>
<td>(183)</td>
<td>(173)</td>
</tr>
<tr>
<td>Employee costs</td>
<td>(234)</td>
<td>(654)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(330)</td>
<td>(898)</td>
</tr>
<tr>
<td>Gain on disposal of investment in joint venture</td>
<td>355</td>
<td>–</td>
</tr>
<tr>
<td><strong>Operating (loss)/profit</strong></td>
<td>(44)</td>
<td>320</td>
</tr>
<tr>
<td>Finance income</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(193)</td>
<td>(194)</td>
</tr>
<tr>
<td>Share of (loss)/profit of associates and joint ventures</td>
<td>(109)</td>
<td>21</td>
</tr>
<tr>
<td><strong>(Loss)/profit before income tax</strong></td>
<td>(337)</td>
<td>162</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>91</td>
<td>(38)</td>
</tr>
<tr>
<td><strong>(Loss)/profit for the period</strong></td>
<td>(246)</td>
<td>124</td>
</tr>
<tr>
<td><strong>(Loss)/profit attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the company</td>
<td>(176)</td>
<td>54</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(70)</td>
<td>70</td>
</tr>
<tr>
<td><strong>(Loss)/profit for the period</strong></td>
<td>(246)</td>
<td>124</td>
</tr>
</tbody>
</table>

**Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in issue (million)</td>
<td>1 227</td>
</tr>
<tr>
<td>Weighted average number of shares in issue (million)</td>
<td>1 090</td>
</tr>
<tr>
<td>Basic and diluted (loss)/earnings per share (cents)</td>
<td>(265)</td>
</tr>
</tbody>
</table>
Condensed consolidated statement of comprehensive income
for the six months ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit for the period</td>
<td>(246)</td>
<td>124</td>
</tr>
<tr>
<td>Other comprehensive income for the period, net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(123)</td>
<td>(5)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>(64)</td>
<td>(15)</td>
</tr>
<tr>
<td>Income tax relating to items that may subsequently be reclassified to profit or loss</td>
<td>(77)</td>
<td>6</td>
</tr>
<tr>
<td>Income tax relating to items that may subsequently be reclassified to profit or loss</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income for the period</td>
<td>(369)</td>
<td>119</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the company</td>
<td>(287)</td>
<td>53</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(82)</td>
<td>66</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income attributable to:</td>
<td>(369)</td>
<td>119</td>
</tr>
</tbody>
</table>
## Supplementary information
for the six months ended 30 September

<table>
<thead>
<tr>
<th>Reconciliation of (loss)/earnings attributable to equity holders of the company to (loss)/headline earnings and adjusted headline (loss)/earnings</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit attributable to equity holders of the company:</td>
<td>(176)</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of plant and equipment</td>
<td>-</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of investment in joint venture</td>
<td>(355)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share of associates’ headline earnings adjustment</td>
<td>90</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Headline (loss)/earnings</strong></td>
<td>(902)</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Transaction costs</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Restructuring costs (including termination benefits)</td>
<td>10</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Pre-opening costs</td>
<td>4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share of associates’ exceptional items</td>
<td>-</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total tax effects of other exceptional items</td>
<td>(3)</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Total non-controlling interest effects of other exceptional items</td>
<td>(1)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted headline (loss)/earnings</strong></td>
<td>(684)</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>Number of shares in issue (million)</td>
<td>1 227</td>
<td>1 061</td>
<td></td>
</tr>
<tr>
<td>Weighted number of shares in issue (million)</td>
<td>1 090</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td>Basic and diluted headline (loss)/earnings per share (cents)</td>
<td>(40.5)</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Basic and diluted adjusted headline (loss)/earnings per share (cents)</td>
<td>(39.1)</td>
<td>13.3</td>
<td></td>
</tr>
</tbody>
</table>

### Reconciliation of operating (loss)/profit to Ebitdar for the six months
Ebitdar pre-exceptional items is made up as follows:

<table>
<thead>
<tr>
<th>Operating (loss)/profit</th>
<th>(44)</th>
<th>320</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add/(less):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation and depreciation</td>
<td>183</td>
<td>173</td>
</tr>
<tr>
<td>Property rentals</td>
<td>(13)</td>
<td>35</td>
</tr>
<tr>
<td>Long-term incentive expense</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>130</td>
<td>535</td>
</tr>
</tbody>
</table>

**Deduct: Exceptional gains net of losses**

| Loss on disposal of property, plant and equipment | - | 1 |
| Gain on disposal of joint venture | (355) | - |
| Pre-opening costs | 4 | - |
| Restructuring costs (including termination benefits) | 10 | 21 |
| Transaction costs | 5 | 2 |
| **Ebitdar** | (137) | (206) | 559 |
### Condensed consolidated cash flow statement
for the six months ended 30 September 2020

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit before interest and income tax</td>
<td>(44)</td>
<td>320</td>
</tr>
<tr>
<td>Adjust for non-cash movements and dividends received</td>
<td>(137)</td>
<td>252</td>
</tr>
<tr>
<td>Decrease in working capital</td>
<td>146</td>
<td>16</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>(35)</td>
<td>588</td>
</tr>
<tr>
<td>Finance income</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(193)</td>
<td>(182)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(40)</td>
<td>(44)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>–</td>
<td>(159)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>–</td>
<td>13</td>
</tr>
<tr>
<td>Net cash (utilised in)/generated from operations</td>
<td>(259)</td>
<td>231</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investment activities</th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(29)</td>
<td>(214)</td>
</tr>
<tr>
<td>Proceeds from disposals of property, plant and equipment</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>–</td>
<td>(10)</td>
</tr>
<tr>
<td>Additions to investment property</td>
<td>(3)</td>
<td>(117)</td>
</tr>
<tr>
<td>Proceeds on disposal of joint venture</td>
<td>467</td>
<td>–</td>
</tr>
<tr>
<td>Additional investment in associates</td>
<td>–</td>
<td>(28)</td>
</tr>
<tr>
<td>Other loans and investments repaid/(made)</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Net cash generated from/(utilised for) investment activities</td>
<td>436</td>
<td>(382)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings raised</td>
<td>27</td>
<td>634</td>
</tr>
<tr>
<td>Borrowings repaid</td>
<td>(539)</td>
<td>(261)</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>–</td>
<td>(106)</td>
</tr>
<tr>
<td>Net cash (utilised in)/generated from financing activities</td>
<td>(512)</td>
<td>267</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (decrease)/increase in cash and cash equivalents</th>
<th>2020 Unaudited Rm</th>
<th>2019 Unaudited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of period, net of bank overdrafts</td>
<td>721</td>
<td>212</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>(7)</td>
<td>5</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period, net of bank overdrafts</td>
<td>379</td>
<td>333</td>
</tr>
</tbody>
</table>
### Condensed consolidated balance sheet

as at 30 September

<table>
<thead>
<tr>
<th></th>
<th>30 September 2020</th>
<th>31 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited Rm</td>
<td>Audited Rm</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7 564</td>
<td>7 554</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>1 005</td>
<td>799</td>
</tr>
<tr>
<td>Investment properties</td>
<td>3 893</td>
<td>4 149</td>
</tr>
<tr>
<td>Goodwill</td>
<td>354</td>
<td>354</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>52</td>
<td>56</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>340</td>
<td>446</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>–</td>
<td>124</td>
</tr>
<tr>
<td>Post-employment benefit asset</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>154</td>
<td>84</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>13 382</strong></td>
<td><strong>13 586</strong></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>51</td>
<td>58</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>415</td>
<td>454</td>
</tr>
<tr>
<td>Current income tax receivable</td>
<td>30</td>
<td>–</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1 114</td>
<td>1 281</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>1 611</strong></td>
<td><strong>1 796</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>14 993</strong></td>
<td><strong>15 382</strong></td>
</tr>
</tbody>
</table>

| **EQUITY**           |                   |               |
| Capital and reserves attributable to equity holders of the company | |               |
| Ordinary share capital and premium | 4 951           | 4 642         |
| Other reserves        | 538               | 599           |
| Retained earnings     | 926               | 1 102         |
| **Total shareholders’ equity** | **6 415**     | **6 343**     |
| Non-controlling interests | 1 915          | 2 352         |
| **Total equity**      | **8 330**         | **8 695**     |
Condensed consolidated balance sheet continued
as at 30 September

<table>
<thead>
<tr>
<th></th>
<th>30 September 2020 Unaudited Rm</th>
<th>31 March 2020 Audited Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>3,385</td>
<td>3,974</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,283</td>
<td>1,024</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>115</td>
<td>50</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>232</td>
<td>175</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Provisions</td>
<td>70</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>5,122</td>
<td>5,318</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>735</td>
<td>559</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td>13</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>730</td>
<td>622</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,541</td>
<td>1,369</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6,663</td>
<td>6,687</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>14,993</td>
<td>15,382</td>
</tr>
</tbody>
</table>
## Consolidated statement of changes in equity

<table>
<thead>
<tr>
<th>Attributable to equity holders of the company</th>
<th>Ordinary share capital and premium Rm</th>
<th>Other reserves Rm</th>
<th>Retained earnings Rm</th>
<th>Total Rm</th>
<th>Non-controlling interests Rm</th>
<th>Total equity Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 31 March 2019 (audited)</strong></td>
<td>4 642</td>
<td>289</td>
<td>2 059</td>
<td>6 990</td>
<td>2 939</td>
<td>9 929</td>
</tr>
<tr>
<td>Change in accounting policy – adoption of IFRS 16 Leases</td>
<td>–</td>
<td>–</td>
<td>(69)</td>
<td>(69)</td>
<td>–</td>
<td>(69)</td>
</tr>
<tr>
<td><strong>Balance at 1 April 2019 restated</strong></td>
<td>4 642</td>
<td>289</td>
<td>1 990</td>
<td>6 921</td>
<td>2 939</td>
<td>9 860</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>(1)</td>
<td>54</td>
<td>53</td>
<td>66</td>
<td>119</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>54</td>
<td>54</td>
<td>70</td>
<td>124</td>
</tr>
<tr>
<td>Cash flow hedges, net of tax</td>
<td>–</td>
<td>(7)</td>
<td>–</td>
<td>(7)</td>
<td>(4)</td>
<td>(11)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>–</td>
<td>6</td>
<td>–</td>
<td>6</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Shareholders redemption provision</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td>Share-based payments conversion</td>
<td>–</td>
<td>41</td>
<td>–</td>
<td>41</td>
<td>–</td>
<td>41</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(159)</td>
<td>(159)</td>
</tr>
<tr>
<td><strong>Balance at 30 September 2019 (unaudited)</strong></td>
<td>4 642</td>
<td>353</td>
<td>2 044</td>
<td>7 039</td>
<td>2 846</td>
<td>9 885</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2020 (audited)</strong></td>
<td>4 642</td>
<td>599</td>
<td>1 102</td>
<td>6 343</td>
<td>2 352</td>
<td>8 695</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>(111)</td>
<td>(176)</td>
<td>(287)</td>
<td>(82)</td>
<td>(369)</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>–</td>
<td>–</td>
<td>(176)</td>
<td>(176)</td>
<td>(70)</td>
<td>(246)</td>
</tr>
<tr>
<td>Cash flow hedges, net of tax</td>
<td>–</td>
<td>(34)</td>
<td>–</td>
<td>(34)</td>
<td>(12)</td>
<td>(46)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>–</td>
<td>(77)</td>
<td>–</td>
<td>(77)</td>
<td>–</td>
<td>(77)</td>
</tr>
<tr>
<td>Issuing of shares</td>
<td>309</td>
<td>–</td>
<td>–</td>
<td>309</td>
<td>–</td>
<td>309</td>
</tr>
<tr>
<td>Acquisition of non-controlling interest</td>
<td>–</td>
<td>46</td>
<td>–</td>
<td>46</td>
<td>(355)</td>
<td>(309)</td>
</tr>
<tr>
<td>Share-based payments charge</td>
<td>–</td>
<td>4</td>
<td>–</td>
<td>4</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td><strong>Balance at 30 September 2020 (unaudited)</strong></td>
<td>4 951</td>
<td>538</td>
<td>926</td>
<td>6 415</td>
<td>1 915</td>
<td>8 330</td>
</tr>
</tbody>
</table>
## Segmental analysis
for the six months ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>Income(^1)</th>
<th>Ebitdar(^2)</th>
<th>Ebitdar margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Manco</td>
<td>20</td>
<td>127</td>
<td>(51)</td>
</tr>
<tr>
<td>Rental income – HPF(^4)</td>
<td>3</td>
<td>123</td>
<td>3</td>
</tr>
<tr>
<td>Internally managed</td>
<td>264</td>
<td>1 600</td>
<td>(126)</td>
</tr>
<tr>
<td>Coastal</td>
<td>91</td>
<td>875</td>
<td>(89)</td>
</tr>
<tr>
<td>Inland</td>
<td>123</td>
<td>593</td>
<td>(36)</td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>132</td>
<td>(1)</td>
</tr>
<tr>
<td>Offshore</td>
<td>41</td>
<td>305</td>
<td>(32)</td>
</tr>
<tr>
<td>Internal management fees(^3)</td>
<td>(9)</td>
<td>(81)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>319</strong></td>
<td><strong>2 074</strong></td>
<td><strong>(206)</strong></td>
</tr>
</tbody>
</table>

\(^1\) All revenue and income from hotel operations is derived from external customers. No one customer contributes more than 10% to the group’s total revenue.

\(^2\) Refer to reconciliation of operating profit to Ebitdar on page 18.

\(^3\) Included in Manco.

\(^4\) The CODM reviews rental income net of rates and taxes expensed by the lessor for segmental reporting purposes.
Revenue from contracts with customers
for the six months ended 30 September

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The group has no contract assets. The table below presents revenue by segment which excludes other income as these are accounted for under different accounting policies, which are included in the segmental analysis on page 23. Disaggregation of revenue from contracts with customers for the period under review:

<table>
<thead>
<tr>
<th></th>
<th>Rooms revenue recognised over time</th>
<th>Food and beverage recognised at a point in time</th>
<th>Other revenue recognised over time</th>
<th>Revenue from external customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020 Rm</td>
<td>2019 Rm</td>
<td>2020 Rm</td>
<td>2019 Rm</td>
</tr>
<tr>
<td>Internally managed</td>
<td>92</td>
<td>1 107</td>
<td>39</td>
<td>414</td>
</tr>
<tr>
<td>Coastal</td>
<td>55</td>
<td>606</td>
<td>20</td>
<td>234</td>
</tr>
<tr>
<td>Inland</td>
<td>27</td>
<td>405</td>
<td>14</td>
<td>157</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>96</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>Manco</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Offshore</td>
<td>29</td>
<td>196</td>
<td>8</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>121</td>
<td>1 303</td>
<td>47</td>
<td>501</td>
</tr>
</tbody>
</table>

Reconciliation to segmental analysis on page 23:
- Revenue from contracts with customers per above: 308 1 943
- Property rental income: 27 137
- Rates and taxes offset against rental income for segmental analysis purposes: (16) (6)
- Total income per segmental analysis: 319 2 074

1 Includes Covid-19 contracted business including hotels providing accommodation of isolation and quarantine including the Premier Soccer League bio-bubble.
Corporate information

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
Southern Sun Secretarial Services Proprietary Limited

REGISTERED OFFICE
Palazzo Towers West, Montecasino Boulevard, Fourways, 2055
(Private Bag X200, Bryanston, 2021)

TRANSFER SECRETARIES
Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000)

SPONSOR
Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa.

AUDITORS
PricewaterhouseCoopers Inc., 4 Lisbon Lane, Jukskei View, 2090 (Private Bag X36, Sunninghill, 2157)