TSOGO SUN
HOTELS

Condensed unaudited consolidated interim financial statements

for the six months ended 30 September 2021

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)

Commentary

The leading hospitality company in South Africa.

The interim period under review was marred by the severe third wave of Covid-19 infections during June and July 2021 which resulted in level 4 lockdown restrictions, the highest instituted since the beginning of the pandemic, aimed at controlling further spread and managing hospitalisations. The banning of alcohol sales as well as domestic leisure travel to and from Gauteng, fuelled by general fear among travellers of contracting the highly contagious Delta variant, negatively impacted trading in all regions setting the group's recovery back significantly. A further setback was the violent protests and civil unrest in both Gauteng, but most materially for the group, in KwaZulu-Natal (KZN). The KZN region and specifically Durban had been the group's best performing region throughout the pandemic and the impact of the violence on the confidence of travellers was pronounced. Having achieved its highest level of system-wide room sales since the beginning of the pandemic at 117 952 rooms in April 2021, the group's room sales dropped to 55 280 in July 2021. This negative impact on sentiment and further delays and disruption to the vaccination rollout has meant that the recovery in the corporate and international travel markets has been further delayed with many corporates only expected to return to their offices in January 2022.

The success of the group's Covid-19 response during the first and second waves of infection meant that it was well placed to respond to the third wave and more stringent restrictions. Drawing on its ability to quickly deactivate hotels and by converting payroll costs to being more variable in nature during the restructuring, the group was able to reduce payroll costs in the most affected regions being Gauteng and Cape Town. 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 R112 million (2020: R127 million) in grants over the period.

The group suffered no property damage as a result of the protests in KZN and Gauteng, however, delivery of food and other supplies to properties in the affected areas was interrupted. We are grateful for the dedication and determination shown by our employees, some of whom travelled to work in the midst of the violence and remained at their hotels for the week in order to secure food supplies and ensure that guests, many of whom could not return home, were comfortable and safe.

Thanks to the group's distribution and ability to co-ordinate large sporting events, we were able to secure rights as the sole accommodation provider for the Castle Lager Lions Series tour to South Africa, the timing of which was ideal as it offset some of the revenue shortfall in July. Total owned revenue from the tour and included in Other revenue was R64 million. Once again, this tour involved hotel management and employees staying in-house in the bio-bubble for weeks at a time, working long hours and catering to complicated tournament requirements. Another testament to our people who go above-and-beyond to serve our guests and for this, we thank them.

A further positive impact on the results for the six months was the collection of the gross insurance proceeds from the business interruption cover of R177 million during August 2021. These once-off gains played a vital role in improving the group's liquidity position after the third wave and violent protests.

As the third wave subsided and restrictions were relaxed, trading activity has consistently increased and in October 2021, the group achieved its highest room sales since the pandemic began, supported by the government, sports, groups and conferencing, and domestic leisure segments. In order for the group to return to normalised pre-Covid trading levels, the international and corporate segments need to return. The removal of South Africa from the United Kingdom's *red* list, which is one of the group's key source markets, is a welcome step in the right direction and while there have been signs of increased international and corporate activity, particularly in Cape Town, higher volumes of long lead time tourist groups and the relaxation of corporate travel restrictions are only expected in the latter half of the 2022 calendar year.

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

Months	April	May	June	July	August	September	October
Total rooms – system-wide 2021 (FY22)	117 952	112 361	93 117	55 280	100 693	138 941	167 967
Total rooms – system-wide 2020 (FY21)	–	–	9 687	20 117	33 710	66 268	88 370
Total rooms – system-wide 2019 (FY20)	239 377	237 090	251 186	262 886	263 352	288 360	286 017
FY22 as % of FY20[1]	49%	47%	37%	21%	38%	48%	59%

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

Review of operations

Total income for the six months ended 30 September 2021 of R959 million (2020: R335 million) ended R624 million above the prior year with a R427 million and R210 million increase in hotel rooms' revenue and food and beverage revenue respectively. Other revenue decreased by R16 million to R124 million (2020: R140 million) and in the current year included revenue relating to the Castle Lager Lions Series tour of R64 million (2020: 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 (including owned and managed hotels but excluding externally managed hotels) revenue per available room (RevPar) of R238 (2020: R54) due to a 18.5 percentage points (pp) increase in occupancies from the prior period to 23.9% (2020: 5.4%) and a slight increase in average room rate to R996 (2020: R994). Occupancy for the current and comparative six-month period is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not.

The management activities of the South African hotels, net of group corporate office costs, generated Ebitdar of R145 million (2020 loss: R51 million) for the period. This performance results from a R35 million increase in internal and external management fee income due to improved trading levels, net insurance proceeds in the South African hotel division of R148 million and central office cost savings of R13 million.

Rental income (net of costs) from investment properties of R7 million (2020: R3 million) relates to the six remaining investment properties in Hospitality Property Fund Limited (Hospitality or HPF), five of which are hotels managed by third parties and the sixth is the Sandton Eye retail property. On a like-for-like basis and excluding the hotels that transferred to owner-occupied property, plant and equipment during the prior year (being The Westin, The Hazyview Sun, The Edward, Radisson Blu Gautrain, Southern Sun The Marine and Mount Grace Hotel and Spa) rental income improved by R18 million from a loss of R11 million in the six months to September 2020 which reflects the improvement in trading largely from government, corporate groups and conferencing segments in the current period.

Following Hospitality's acquisition of controlling interests in associates during October and November 2020 which operate The Westin and Radisson Blu Gautrain hotels, a new segment has been introduced (Trading income – HPF) which reflects the trading performance of these hotels. For the six months ended 30 September 2021, this segment generated revenue of R46 million (2020: Rnil) and Ebitdar losses of R25 million (2020: Rnil). This is largely due to these hotels being in the Cape Town and Sandton nodes and their reliance on the international and corporate segments which suffered under the Covid-19 restrictions during the third wave of infections.

Overall, revenue generated by the internally managed South African hotel portfolio owned and leased by the group for the six months was R762 million (2020: R264 million). This includes revenue from the Sandton Consortium hotels of R75 million and a Rnil impact on Ebitdar due to the lease concession that remains in place until trading normalises.

All regions performed well in this six-month period relative to the prior comparative period, given the extended hard lockdowns between April and June 2020. Sporting events made a significant contribution during the first half of the year, with the KZN region generating revenue and Ebitdar of R210 million and R19 million respectively, due to continued support from domestic leisure and government business as well as the National Indigenous Games Festival which was held in Durban during September 2021 as part of Heritage month.

Similarly, revenue and Ebitdar from the Cape region was R202 million and R4 million respectively for the six-month period, supported due to accommodation provided to students stranded by the fires in Cape Town during April 2021 and the Cape Town leg of the Castle Lager Lions Series tour. The inland region was hard-hit by the third wave of infections and the negative sentiment caused by the violent protests, particularly in Gauteng, following the ban on leisure travel from the province. As a result, this region recorded revenue of R251 million and an Ebitdar loss of R17 million for the six months to 30 September 2021. The other segment fared slightly better, generating revenue of R99 million and posting an Ebitdar profit of R7 million. The Sun1 portfolio managed to break even at Ebitdar level for the six months and consequently the performance of the segment is entirely attributable to the Resorts portfolio which has performed well throughout the Covid-19 pandemic due to its leisure-focused offering, benefiting from domestic clientele.

The internally managed segment recorded Ebitdar of R13 million (2020 loss: R126 million) for the six months ended 30 September 2021. Ebitdar includes losses of R6 million (2020: Rnil) relating to The Mount Grace Hotel and Spa, The Hazyview Sun, The Edward and Southern Sun The Marine which were externally managed in the prior financial period.

Total revenue for the offshore division of hotels of R129 million (2020: R41 million) for the six months largely relates to the Southern Sun Maputo, Mozambique which was the only owned hotel in the offshore portfolio that traded throughout the lockdown period, and the Southern Sun Ikoyi, Nigeria which has benefited from domestic leisure and business travel in the region. Zambia is reliant on corporate travel from South Africa and given the restrictions on international travel over the year, trading at the Southern Sun Ridgeway has remained muted since its opening in September

2020, and in response, expenses have been tightly controlled. In the owned offshore portfolio only the Southern Sun Dar es Salaam, Tanzania remains closed with Paradise Sun, Seychelles and the StayEasy Maputo, Mozambique having opened their doors in July 2021 and September 2021 respectively in response to easing of travel restrictions by the hotels' source markets. The offshore division generated Ebitdar of R5 million (2020 loss: R32 million) which includes R12 million in insurance claims settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.

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

For the six months ended 30 September	2021	2020
Occupancy (%)*	**21.9**	5.2
Average room rate (R)	**999**	1 007
RevPar (R)	**219**	53
Rooms available ('000)^	**2 507**	2 299
Rooms sold ('000)	**549**	121
Rooms revenue (Rm)	**548**	121

* *Occupancy for the current and prior periods is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not.*

^ *The increase in rooms available relates to the transfer of the HPF properties to internally managed and the inclusion of The Westin and Radisson Blu Gautrain as part of the group's owned portfolio.*

Property and equipment rental expense of R9 million (2020 income: R13 million) represents the variable portion of lease payments including the impact of rent concessions. With effect from 1 April 2021 the majority of these rent concessions have fallen away and leases have reverted back to their original terms. Excluding the impact of IFRS 16, the group incurred cash rent of R72 million in the current six-month period compared to R51 million in the prior comparative period.

Exceptional gains for the period of Rnil (2020 gain: R250 million) relates mainly to restructuring costs of R2 million (2020: R10 million) and losses on disposal of property, plant and equipment of R1 million (2020: Rnil) offset by the group's share of associates' exceptional items of R3 million (2020: R90 million). The increase in the group's share of associates' exceptional items compared to the prior comparative period mainly relates to the group's share of fair value losses on investment properties owned by IHL (International Hotel Properties Limited). The prior comparative period also includes the profit on the sale of the group's 50% investment in the Maia Luxury Resort and Spa (Maia) of R355 million, offset by transaction costs of R5 million and pre-opening costs of R4 million. 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 (refer to note 3.1 *Basis of preparation of 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 2022 and March 2023; as well as various technical inputs including the 10Y bond yield which has declined from 9.5% in March 2021 to 9.2% as at 30 September 2021.

The third wave of Covid-19 infections and the slow vaccination rollouts both locally and globally are clear indications that recovery in the group's trading to pre-Covid levels will extend beyond FY22 and into FY23. The majority of the quantum of the FY21 impairments related to management's downward revision of cash flow forecasts in FY23 to reflect the sustained negative impact of Covid-19 and increased in-country risk assessments that have had a material impact on discount rates applied to the group's hotels in African territories. Based on current trading levels and taking into account management's assessment of the impact of a potential fourth wave of infections and fluctuations in-country risk assessments due to inflationary pressures, no significant changes are required to the current cash flow forecasts. For further analysis, refer to notes 3 and 4.

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 2021 and no fair value adjustments, additional impairments or impairment reversals are required. The valuations of investment properties and impairment assessments of goodwill and property, plant and equipment, will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

Net finance costs of R178 million (2020: R184 million) includes interest on capitalised leases under IFRS 16 of R64 million (2020: R65 million) and excluding this impact, have decreased by R5 million. The group accessed R100 million of its South African facilities at a favourable exchange rate (R13.56) in order to further reduce offshore debt balances and foreign exchange exposure to the US Dollar-denominated debt.

The share of profit from associates and joint ventures of R6 million (2020 loss: R109 million) increased by R115 million, mainly due to the group's share of fair value losses on investment properties owned by IHL of R90 million in the prior comparative period. In addition, the group's share of trading profits (excluding exceptional items) of R3 million increased by R22 million from the prior period loss of R19 million. Hotel trading in the UK has recovered quickly following the successful rollout of their vaccination programme and confidence returning to the travel market.

The income tax credit for the period of R54 million (2020 credit: R91 million) has reduced by R37 million, mainly due to the tax expense of R44 million raised on the insurance proceeds received during August 2021. The group remains in an assessed loss position and deferred income tax assets amounting to R353 million have 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 R6 million (2020 loss: R70 million) has improved by R64 million. This mainly relates to losses incurred by Hospitality in the prior year. Tsogo Sun

Hotels' has subsequent to 30 September 2020 successfully acquired all the Hospitality shares in issue, reducing non-controlling interest from 40.8% to nil as from 10 March 2021.

Group adjusted headline losses for the period at R162 million (2020 loss: R426 million) has improved by R264 million. The adjustments include the reversal of the post-tax and non-controlling interest impacts of the exceptional gains noted above. The weighted average number of shares in issue increased as a result of the acquisition of all Hospitality shares in issue in exchange for 417 million shares in Tsogo Sun Hotels and the resultant adjusted headline loss per share recorded is 11.0 cents (2020 loss: 39.1 cents).

Net cash generated from operations for the period of R65 million (utilised in 2020: R259 million) comprises losses before interest and income tax of R50 million (2020: R44 million) adjusted for non-cash expenses of R236 million (2020 income: R137 million), decreases in working capital of R60 million (2020: R146 million), net finance costs of R178 million (2020: R184 million) and income tax paid of R3 million (2020: R40 million). Cash flows utilised in investment activities of R14 million (generated in 2020: R436 million) consisted mainly of capital expenditure of R17 million. Interest-bearing debt net of cash at 30 September 2021 totalled R3.035 billion, which is R34 million below the 31 March 2021 balance of R3.069 billion.

Funding capacity and covenants

The group's liquidity and access to facilities are of paramount importance and, as previously reported, revised covenants were 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. In addition, a minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. 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. During the period under review, these covenants were measured quarterly at June 2021 and September 2021 and Tsogo Sun Hotels comfortably met the minimum Ebitda and liquidity thresholds on both occasions. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand during the prior year. Similarly, Hospitality has met these minimum liquidity requirements.

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 2022 on the basis that the rolling negative Ebitdar threshold at Tsogo Sun Hotels' level be reduced to between R412 million (December 2021 measurement period) and R330 million (March 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis. The terms of the revised waiver relating to an event of default remain the same as described above.

In order to assess asset fair values, impairments and the group's ability to continue as a going concern, management prepared detailed five-year cash flow forecasts. Based on the Covid-19 interventions already implemented and the forecasts that indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, once the vaccine rollout has stabilised and any potential fourth wave of Covid-19 infections has passed, management believes that the company should meet these revised covenant levels.

Going concern

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

As at 30 September 2021, the group has net cash and cash equivalents of R489 million, net of bank overdrafts (2020: R379 million). The group has R3.524 billion (2020: R3.385 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.326 billion in undrawn 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. Given the uncertainty around trading levels, management incorporated a 10% revenue contingency into the forecasts. This contingency cannot be attributed to any division but has been incorporated at group level in order to stress test the group's going-concern assumption. Even after incorporating this contingency, the group is able to meet its debt obligations.

The board of directors of the company (directors) has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations 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 upward trend in trading, we are acutely aware that we are still trading at only 50% of system-wide rooms sold prior to Covid-19 and at occupancies far below the group's long-term average. It is clear that Covid-19 will remain with us for the foreseeable future and the only way to return to some form of normality is to ensure that the majority of the South

African adult population is vaccinated. For the hospitality industry in particular, ease and affordability of travel is of paramount importance as is the safety and confidence of tourists once they reach our shores and stay in our hotels. Unnecessary regulation and limitations on travel is an impediment to our recovery and our view is that provided an adult is fully vaccinated; they should be allowed to travel internationally. The group continues to encourage our employees to get vaccinated and we maintain the highest levels of Covid-19 health protocols at all of our properties as evidenced by the successful sporting events we have hosted during the pandemic. Until the international and corporate markets return and demand levels normalise, the group continues to focus on cash preservation and liquidity to continue trading through the pandemic and to protect the livelihoods of the many stakeholders who depend on Tsogo Sun Hotels – from our employees and suppliers to our communities and investors.

Dividend

The directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this pandemic and meet its obligations until trading normalises. In line with the conditions of the covenant waivers received from lenders, the directors have not declared an interim cash dividend for the six months ended 30 September 2021.

Events occurring after balance sheet date

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 10 of these condensed unaudited consolidated financial statements, which are non-adjusting events and have no impact on the interim results for the six months ended 30 September 2021.

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

L McDonald
Chief Financial Officer

24 November 2021

Notes to the condensed unaudited consolidated interim financial statements

for the six months ended 30 September 2021

1 Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 30 September 2021 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 the 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 2021. The condensed unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, 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

Management have reviewed accounting standards issued and not yet effective and with the exception of amendments to IAS 1 *Presentation of Financial Statements on Classification of Liabilities as Current or Non-current*, amendment to IFRS 3 *Business Combinations*, amendments to IAS 16 *Property, Plant and Equipment on Proceeds before Intended Use* and amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets on Onerous Contracts* – cost of fulfilling a contract, none are considered to have a material impact on the group.

3 Fair value measurement

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

3.1 Investment properties

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

	30 September 2021 Unaudited Rm	31 March 2021 Audited Rm
Opening net carrying amount	**1 561**	4 149
Acquisition and development of investment properties	**4**	1
Disposals	**–**	(1)
Transfer to owner-occupied property, plant and equipment[1]	**–**	(2 489)
Fair value adjustments recognised in profit or loss	**–**	(99)
Closing net carrying amount	**1 565**	1 561

[1] *The transfers from investment property to property, plant and equipment in the prior year represents the transfer of The Westin Cape Town, Radisson Blu Gautrain Hotel, Arabella Hotel, Golf and Spa, Mount Grace Hotel and Spa, The Hazyview Sun, The Edward and Southern Sun The Marine.*

Fair value measurement

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the South African bond yield 10Y at the time of valuation, to which premiums are added for market risk and equity and debt costs. The discount rate 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 have assessed the fair value of the group's investment properties by reviewing the cash flow forecasts, which we believe still adequately reflect cash flows generated by the underlying hotels for the financial years ending March 2022 and March 2023. In addition, various technical inputs have been reviewed including the 10Y bond yield which has declined from March 2021 at 9.5% to 9.2% as at 30 September 2021.

Based on these factors, management is of the view that the fair value of investment properties is fairly stated at 30 September 2021 and no additional fair value adjustment is required. The valuation of investment properties will be reassessed at 31 March 2022 by an external appointed valuer.

Basis of preparation of cash flow forecasts

The Covid-19 pandemic has had a significant impact on the hospitality sector, with continued restrictions in travelling and conferencing. The recovery period in the sector is dependent on the vaccine rollout in South Africa, and feeder countries, which raises uncertainty in travel and the future expected trading in each hotel. A conservative view with a slow recovery has been forecast, and each property individually considered. In order to ensure the cost efficiencies achieved in the operational restructuring flowed through to the cash flow forecasts, each hotel prepared a detailed budget for FY22 and FY23 assuming a slow recovery from September 2021, once the vaccine rollout has stabilised and the third wave has passed and the corporate, conferencing and international segments have recovered somewhat, to reach pre-Covid occupancy levels by FY24. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from the 21.9% currently to 32.3% in FY22, increasing to 60.4% in FY24, which is closer to the group's long-term occupancy levels. Average room rates (ARRs) are assumed to increase by a compound annual revenue growth rate (CAGR) of 4.4% between FY22 and FY24. Based on a review of the FY24 revenue and Ebitdar levels of each hotel, management is comfortable that the individual hotel trading assumptions are reasonable.

From FY24 onwards, ARRs were increased by CPI +1% while occupancies for the majority of hotels were capped at 65%, unless they have historically traded better. Operating expenses including payroll were escalated by CPI with the exception of utilities, which escalates by 10% per annum. No expansion capex has been forecast and maintenance capex has been reviewed by unit and reduced as much as possible. More focus will be placed on repairs and maintenance to ensure that the properties are kept in good condition.

3.2 Interest rate swaps

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

Fixed interest rate swaps ranged from 6.7% to 7.4% as at 30 September 2021 referenced against the three-month JIBAR of 3.7% (2021: fixed interest rate swaps ranged from 6.7% to 7.4% as at 31 March 2021 referenced against the three-month JIBAR of 5.6%).

The fair value of the group's derivatives used for hedge accounting is a liability of R46 million (30 September 2020: R115 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. As at 30 September 2021, the group's interest rate hedges have been assessed as effective.

4 Impairment of property, plant and equipment

Management has assessed the group's goodwill and property, plant and equipment for impairment by reviewing the cash flow forecasts, 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 2022 and 2023; as well as various technical inputs including the 10Y bond yield, which has declined from March 2021 at 9.5% to 9.2% as at 30 September 2021. 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 2021 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.

5 Changes in liabilities arising from financing activities

5.1 Interest-bearing borrowings

Changes arising from financing activities for the six months ended 30 September 2021 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings of R124 million (March 2021: R511 million), are as follows:

	Long term Rm	Short term Rm	Total Rm
Balance at 1 April 2021	**2 991**	**485**	**3 476**
Borrowings raised	**377**	**100**	**477**
Borrowings repaid	**(440)**	**–**	**(440)**
Currency translation	**10**	**2**	**12**
Refinance of short-term borrowings	**358**	**(358)**	**–**
Reclassification to short-term borrowings	**(500)**	**500**	**–**
Other	**(1)**	**–**	**(1)**
Balance at 30 September 2021	**2 795**	**729**	**3 524**
Balance at 1 April 2020	3 974	–	3 974
Borrowings raised	141	100	241
Borrowings repaid	(566)	–	(566)
Currency translation	(175)	–	(175)
Reclassification to short-term borrowings	(385)	385	–
Other	2	–	2
Balance at 31 March 2021	2 991	485	3 476

The group's Mozambican US Dollar-denominated facilities equating to R358 million and due in March 2022 have been refinanced in August 2021 for a further five years. The R27 million MZN denominated loan is in the process of being refinanced and the group awaits finalised terms from the lender. Hospitality's R500 million term-loan facility maturing in August 2022 has been reclassified as short-terms borrowings. Management will begin the process of refinancing this facility during FY23 Q1 once the group's FY23 budgets have been finalised and there is clarity on the impact of any potential fourth wave.

5.2 Lease liabilities

Changes arising from lease liabilities for the period under review are as follows:

	Non-current portion 2021 Rm	Current portion 2021 Rm	Total 2021 Rm
At 1 April 2021	**1 346**	**14**	**1 360**
Transfer to current lease liability	**(11)**	**11**	**–**
Lease payments	**(7)**	**–**	**(7)**
Rent concessions	**–**	**(11)**	**(11)**
Finance costs accrued	**10**	**–**	**10**
At 30 September 2021	**1 338**	**14**	**1 352**

Total cash outflow of R64 million relating to finance costs has been included in cash flows from operating activities.

	Non-current portion 2020 Rm	Current portion 2020 Rm	Total 2020 Rm
At 1 April 2020	1 024	13	1 037
New leases raised	278	–	278
Transfer to current lease liability	(14)	14	–
Rent concessions	(26)	(13)	(39)
Finance costs accrued	38	–	38
Modification of lease contract	46	–	46
At 31 March 2021	1 346	14	1 360

Rental concessions

The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all 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 2022; 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 lease concessions were granted to the group, which met the rent concession requirements as set out in IFRS 16. These include the GC Marine Parade, Cape Town City Bowl Complex and the Sandton Consortium hotels. The application was applied retrospectively with effect from 1 April 2020. This had the effect of reducing rental expenses and lease liabilities by R39 million in the 2021 financial year.

Only the rent concession relating to Sandton Consortium leases was still applicable during the six-month period to September 2021 and had the effect of reducing rental expenses and lease liabilities by R11 million.

All the group's rent concessions were 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 2022 and there is no substantive change to other terms and conditions of the lease.

6 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 the business interruption claim from Tsogosure Insurance Company Limited as mentioned below.

Tsogo Sun Hotels received insurance proceeds of R179 million from Tsogosure Insurance Company Limited, which includes R177 million relating to business interruption insurance as well as other insurance claims of R2 million. Insurance proceeds have been accounted for as other income and not included in group revenue for the period.

7 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 annual financial statements.

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.

8 Capital commitments

The group spent R17 million on maintenance and expansion capex for the six months ended 30 September 2021. The group has committed a further capital spend of R17 million, of which the majority has been placed on hold.

9 Contingent liabilities

The group had no significant contingent liabilities as at 30 September 2021.

10 Events occurring after the balance sheet date

The group is in the process of refinancing its MZN-denominated loan of R27 million which is due in March 2022.

Marriott International plc vacated the Protea Hotel Victoria Junction in mid-October 2021. The group has closed the hotel and plans to re-open it as a Garden Court in 2022. As a consequence, the hotel will transfer from investment property to owner-occupied property plant and equipment. The hotel is currently included in the *Rental income – HPF* segment and will be disclosed in the *Internally managed* segment once the hotel re-opens.

The directors are not aware of any other matter or circumstance arising since the balance sheet date.

11 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. The group monitors the covenants on an ongoing basis and does not expect to breach covenants.

11.1 Covid-19 status

On the assumption that the current level 1 lockdown restrictions as announced by the President on 30 September 2021 continue for the remainder of the financial year and trading levels continue to improve in line with the trend over the past two months, there should be increasing demand for conferences, business and leisure travel with international and corporate take up during the 2022 calendar year. Should there be signs of an upturn in demand the group has the ability to reactivate the remainder of closed hotels which now make up only 19% of total room stock in order to capture the available business. There is still a risk that a fourth wave of infections as severe as the third could occur, however, the group's experience and learning throughout the pandemic means that management can quickly respond by deactivating hotels and reducing rostered staff to reduce cash burn to a minimum. Any capital expenditure will be further delayed as far as practicably possible.

11.2 Financial capacity and covenants

In exchange for the waiver of Tsogo Sun Hotels' original debt covenants for the September 2021 measurement period, lenders introduced revised covenants comprising Ebitda and liquidity thresholds, measured quarterly at June 2021 and September 2021. The revised covenants established a maximum rolling 12-month negative Ebitda level and a minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. 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. Tsogo Sun Hotels comfortably met the minimum Ebitda and liquidity thresholds on both occasions. As at 30 September 2021 Tsogo Sun Hotels' headroom on the rolling 12-month Ebitda loss was R274 million and headroom on available facilities including cash on hand was R805 million. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million in the prior year including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements and as at 30 September 2021 liquidity headroom was R407 million.

The lenders to both Tsogo Sun Hotels and Hospitality have further approved the covenant waivers for March 2022 on the basis that the rolling Ebitda threshold be reduced to R412 million (December 2021 measurement period) and R330 million (March 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis at a Tsogo Sun Hotels level. In Hospitality, the requirement is to continue to have a minimum available liquidity of R125 million, until such time that the normal covenant requirements are met. The terms of the revised waiver relating to an event of default remain the same as described above. Covenant levels for later periods will be reassessed during the preparation of the group's FY23 budgets. As at 30 September 2021, the group has net cash and cash equivalents of R489 million net of bank overdrafts. The group has R3.524 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.326 billion in undrawn 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. Refer to the *Basis of preparation of cash flow forecasts* section in note 3 for further details. Based on the Covid-19 interventions (refer above) already implemented and the forecasts, which indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, management believes that the company should meet these revised covenant levels.

Condensed consolidated income statement

for the six months ended 30 September

	Change %	2021 Unaudited Rm	2020 Unaudited Rm
Rooms revenue	353	**548**	121
Food and beverage revenue	447	**257**	47
Property rental income		**30**	27
Other revenue		**124**	140
Income	186	**959**	335
Property and equipment rentals		**(9)**	13
Amortisation and depreciation		**(185)**	(183)
Employee costs		**(354)**	(234)
Other operating expenses		**(652)**	(330)
Insurance proceeds received		**191**	–
Gain on disposal of investment in joint venture		**–**	355
Operating loss		**(50)**	(44)
Finance income		**6**	9
Finance costs		**(184)**	(193)
Share of profit/(loss) of associates and joint ventures		**6**	(109)
Loss before income tax		**(222)**	(337)
Income tax credit		**54**	91
Loss for the period		**(168)**	(246)
Loss attributable to:			
Equity holders of the company		**(162)**	(176)
Non-controlling interests		**(6)**	(70)
		(168)	(246)
Basic and diluted loss attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		**1 478**	1 227
Weighted number of shares in issue (million)		**1 478**	1 090
Basic and diluted loss per share (cents)	32	**(11.0)**	(16.2)

Condensed consolidated statement of comprehensive income

for the six months ended 30 September

	2021 Unaudited Rm	2020 Unaudited Rm
Loss for the period	**(168)**	(246)
Other comprehensive income/(loss) for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:	**62**	(123)
Cash flow hedges	**22**	(64)
Currency translation adjustments	**46**	(77)
Income tax relating to items that may subsequently be reclassified to profit or loss	**(6)**	18
Total comprehensive loss for the period	**(106)**	(369)
Total comprehensive loss attributable to:		
Equity holders of the company	**(100)**	(287)
Non-controlling interests	**(6)**	(82)
	(106)	(369)

Supplementary information

for the six months ended 30 September

	2021 Unaudited Rm	2020 Unaudited Rm
Reconciliation of loss attributable to equity holders of the company to headline loss and adjusted headline loss		
Loss attributable to equity holders of the company	**(162)**	(176)
Loss on disposal of property, plant and equipment	**1**	–
Share of associates' headline earnings adjustment	**–**	90
Gain on disposal of investment in joint venture	**–**	(355)
Headline loss[2]	**(161)**	(441)
Transaction costs	**–**	5
Restructuring costs (including termination benefits)	**2**	10
Pre-opening expenses	**–**	4
Share of associates' exceptional items	**(3)**	–
Total tax effects of other exceptional items	**–**	(3)
Total non-controlling interest effects of exceptional items	**–**	(1)
Adjusted headline loss[1, 2]	**(162)**	(426)
Number of shares in issue (million)	**1 478**	1 227
Weighted number of shares in issue (million)	**1 478**	1 090
Basic and diluted headline loss per share (cents)	**(10.9)**	(40.5)
Basic and diluted adjusted loss earnings per share (cents)	**(11.0)**	(39.1)

[1] *Adjusted headline loss is defined as losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by IFRS, is audited at year end and is commonly used in the industry.*

[2] *Net insurance proceeds after tax of R118 million has been included in the group's headline loss and adjusted headline loss for the six months ended 30 September 2021. This is consistent with the treatment of the insured losses which were not adjusted out of headline losses or adjusted headline losses when they were incurred in the prior comparative period.*

	2021 Unaudited Rm	2020 Unaudited Rm
Reconciliation of operating loss to Ebitdar		
Ebitdar pre-exceptional items is made up as follows:		
Operating loss	**(50)**	(44)
Amortisation and depreciation	**185**	183
Property rentals	**1**	(13)
Long-term incentive expense	**6**	4
	142	130
Add/(less): Exceptional losses/(gains)		
Loss on disposal of property, plant and equipment	**1**	–
Gain on disposal of investment in joint venture	**–**	(355)
Pre-opening expenses	**–**	4
Restructuring costs	**2**	10
Transaction costs	**–**	5
Ebitdar	**145**	(206)

Condensed consolidated cash flow statement

for the six months ended 30 September

	2021 Unaudited Rm	2020 Unaudited Rm
Cash flows from operating activities		
Loss before interest and income tax	**(50)**	(44)
Adjust for non-cash movements	**236**	(137)
Decrease in working capital	**60**	146
Cash generated from/(utilised in) operations	**246**	(35)
Finance income	**6**	9
Finance costs	**(184)**	(193)
Income tax paid	**(3)**	(40)
Net cash generated from/(utilised in) operating activities	**65**	(259)
Cash flows from investment activities		
Purchase of property, plant and equipment	**(17)**	(29)
Proceeds from disposals of property, plant and equipment	**1**	1
Proceeds on disposal of joint venture	**–**	467
Purchase of intangible assets	**–**	(3)
Other loans and investments disposed of	**2**	–
Net cash (utilised in)/generated from investment activities	**(14)**	436
Cash flows from financing activities		
Borrowings raised	**477**	27
Borrowings repaid	**(440)**	(539)
Principal element of lease payments	**(7)**	–
Net cash generated from/(utilised for) financing activities	**30**	(512)
Net increase/(decrease) in cash and cash equivalents	**81**	(335)
Cash and cash equivalents at beginning of the period, net of bank overdrafts	**407**	721
Foreign currency translation	**1**	(7)
Cash and cash equivalents at end of the period, net of bank overdrafts	**489**	379

Condensed consolidated balance sheet

as at 30 September

	30 September 2021 Unaudited Rm	31 March 2021 Audited Rm Restated
ASSETS		
Non-current assets		
Property, plant and equipment	**9 028**	9 106
Right-of-use assets	**1 009**	1 045
Investment properties	**1 565**	1 561
Goodwill	**354**	354
Other intangible assets	**47**	54
Investments in associates	**311**	305
Post-employment benefit assets	**3**	3
Non-current receivables	**14**	14
Other financial assets	**–**	3
Deferred income tax assets	**353**	297
Total non-current assets	**12 684**	12 742
Current assets		
Inventories	**61**	62
Trade and other receivables	**428**	365
Other income tax assets	**34**	5
Other current assets	**–**	12
Cash and cash equivalents	**613**	918
Total current assets	**1 136**	1 362
Total assets	**13 820**	14 104
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**5 333**	5 333
Other reserves	**1 873**	1 805
Retained earnings	**43**	205
Total shareholders' equity	**7 249**	7 343
Non-controlling interests	**91**	97
Total equity	**7 340**	7 440

Condensed consolidated balance sheet *continued*

as at 30 September

	30 September 2021 Unaudited Rm	31 March 2021 Audited Rm Restated
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**2 795**	2 991
Lease liabilities	**1 338**	1 346
Derivative financial instruments	**29**	59
Deferred income tax liabilities	**256**	256
Deferred revenue	**38**	37
Provisions	**67**	58
Total non-current liabilities	**4 523**	4 747
Current liabilities		
Interest-bearing borrowings	**853**	996
Lease liabilities	**14**	14
Trade and other payables	**892**	717
Deferred revenue	**76**	74
Current portion derivative financial instruments	**17**	10
Provisions	**57**	57*
Current income tax liabilities	**48**	49
Total current liabilities	**1 957**	1 917
Total liabilities	**6 480**	6 664
Total equity and liabilities	**13 820**	14 104

* *The current portion of provisions was previously included in Trade and other payables and is now disclosed separately.*

Condensed consolidated statement of changes in equity

for the six months ended 30 September

	Attributable to equity holders of the company					
	Ordinary share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Total attri-butable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 March 2020	4 642	599	1 102	**6 343**	2 352	**8 695**
Total comprehensive income	–	(111)	(176)	**(287)**	(82)	**(369)**
Loss for the year	–	–	(176)	**(176)**	(70)	**(246)**
Cash flow hedges, net of tax	–	(34)	–	**(34)**	(12)	**(46)**
Currency translation adjustment	–	(77)	–	**(77)**	–	**(77)**
Issuing of shares	309	–		**309**	–	**309**
Share-based payments charge	–	4	–	**4**	–	**4**
Acquisition of non-controlling interest	–	46	–	**46**	(355)	**(309)**
Balance at 30 September 2020	4 951	538	926	**6 415**	1 915	**8 330**
Balance at 31 March 2021	5 333	1 805	205	**7 343**	97	**7 440**
Total comprehensive income	–	62	(162)	**(100)**	(6)	**(106)**
Loss for the year	–	–	(162)	**(162)**	(6)	**(168)**
Cash flow hedges, net of tax	–	16	–	**16**	–	**16**
Currency translation adjustment	–	46	–	**46**	–	**46**
Share-based payments charge	–	6	–	**6**	–	**6**
Balance at 30 September 2021	**5 333**	**1 873**	**43**	**7 249**	**91**	**7 340**

Segmental analysis

for the six months ended 30 September

	Revenue[1]		Ebitdar[2]		Ebitdar margin	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 %**	2020 %
Manco[7]	**41**	20	**145**	(51)	**353.7**	(255.0)
Rental income – HPF[6]	**7**	3	**7**	3	**100.0**	100.0
Trading income – HPF[4]	**46**	–	**(25)**	–	**(54.3)**	–
Internally managed[5]	**762**	264	**13**	(126)	**1.7**	(47.7)
Coastal	**412**	91	**23**	(89)	**5.6**	(97.8)
Inland	**251**	123	**(17)**	(36)	**(6.8)**	(29.3)
Other	**99**	50	**7**	(1)	**7.1**	(2.0)
Offshore[7]	**129**	41	**5**	(32)	**3.9**	(78.0)
Internal management fees[3]	**(31)**	(9)	**–**	–	**–**	–
Total	**954**	319	**145**	(206)	**15.2**	(64.6)

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 reconciliation of operating loss to Ebitdar on page 21.*

3 *Included in Manco Ebitdar.*

4 *This segment reflects the trading performance of The Westin and Radisson Blu Gautrain hotels since the acquisition of their related operating/tenant companies on 1 October 2020 and 1 November 2020 respectively. These hotels were included in the Rental income – HPF segment in FY21 pre acquisition. (2020: Total rental income from these hotels was R12 million).*

5 *Trading relating to the Arabella Hotel, Golf and Spa, Mount Grace Hotel and Spa, The Hazyview Sun, The Edward and Southern Sun The Marine is included in the Internally managed segment as a consequence of these properties transferring from investment properties to owner-occupied property, plant and equipment during the prior year. These hotels were included in the* Rental income – HPF *segment before being transferred to owner-occupied property in FY21. (2020: Total rental income from these hotels was R2 million).*

6 *The CODM reviews rental income net of rates, taxes and cost recoveries for segmental reporting purposes. Rates, taxes and cost recoveries of R5 million (2021: R16 million) have been reallocated from Manco to Rental income – HPF. Refer to page 27.*

7 *Ebitdar includes the business interruption cover settled by Tsogosure Insurance Company Limited amounting to R27 million relating to the combined policy with Tsogo Sun Gaming Limited and R150 million paid to Hospitality (an accrual of R29 million has been raised for claims by third-party operators as well as R2 million relating to other insurance claims). In addition, R12 million in insurance claims has been settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.*

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 26. Disaggregation of revenue from contracts with customers for the period under review:

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time[1]		Revenue from external customers	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Internally managed	**478**	92	**218**	39	**94**	126	**790**	257
Coastal	**259**	55	**111**	20	**58**	16	**428**	91
Inland	**163**	27	**82**	14	**33**	82	**278**	123
Other	**56**	10	**25**	5	**3**	28	**84**	43
Manco					**10**	11	**10**	11
Offshore	**70**	29	**39**	8	**20**	3	**129**	40
	548	121	**257**	47	**124**	140	**929**	308

	2021 Rm	2020 Rm
Reconciliation to segmental analysis on page 26:		
Revenue from contracts with customers per above	**929**	308
Property rental income	**30**	27
Reallocation of rates and taxes and costs recovered from HPF	**(5)**	(16)
Total income per segmental analysis	**954**	319

[1] *Comprises Covid-19 contracted business including hotels providing accommodation for sporting events through bio-bubbles such as the Castle Lager Lions Series tour and the Premier Soccer League as well as isolation and quarantine accommodation during the prior comparative period.*

TSOGO SUN
HOTELS

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

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Transfer secretaries

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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)

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

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Arabella HOTEL, GOLF & SPA BEVERLY HILLS 54 ON BATH SUNCOAST TOWERS PALAZZO SANDTON SUN

THE OAK TREE GROUP

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