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These annual financial statements were published on 13 November 2020, were audited in compliance with the requirements of the Companies Act, 71 of 2008, and prepared under the supervision of the chief financial officer, Dhanisha Nathoo CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of City Lodge Hotels Limited (the group and company) set out on pages 115 to 160, which comprise the statements of financial position as at 30 June 2020, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, the accounting policies, notes to the financial statements and the segment analysis, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 71 of 2008 (Companies Act). In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors confirm that the group is:

- in compliance with the provisions of the Companies Act or relevant laws of establishment, specifically relating to its incorporation
- operating in conformity with its MOI.

The directors have reviewed the group's budgeted cash flow forecasts for the 12 months from date of issue of the financial statements. On the basis of the successful completion of the rights offer and the availability of borrowing facilities, the directors are satisfied that the company and its subsidiaries' are able to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead. The going concern basis has been adopted in the preparing the financial statements.

The auditor is responsible for reporting on whether the consolidated and separate financial statements of City Lodge Hotels Limited are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated financial statements and separate financial statements

The consolidated and separate annual financial statements of City Lodge Hotels Limited were approved by the board of directors on 12 November 2020 and signed on its behalf by:



A C Widegger
Chief executive officer

Authorised director



D Nathoo
Chief financial officer

Authorised director

CERTIFICATE BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as company secretary, hereby confirm to the best of my knowledge and belief that in terms of the Companies Act, for the financial year ended 30 June 2020, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Companies Act and that all such returns and notices appear to be true, correct and up to date.



M C van Heerden
Company secretary

12 November 2020

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

The directors, whose names are stated below hereby confirm that:

(i) the annual consolidated and separate financial statements set out on pages 115 to 160, fairly present in all material respects the financial position, financial performance and cash flows of City Lodge Hotels Limited in terms of IFRS

(ii) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(iii) internal financial controls have been put in place to ensure that material information relating to City Lodge Hotels Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of City Lodge Hotel Group

(iv) the internal financial controls have been evaluated and that they are satisfied with the effectiveness of the internal controls or where they are not satisfied they have disclosed to City Lodge Hotels Limited's audit committee and auditors all significant deficiencies in the design or operation of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



A C Widegger
Chief executive officer

Authorised director



D Nathoo
Chief financial officer

Authorised director

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 30 JUNE 2020

This report is provided by the audit committee in compliance with the Companies Act, and as recommended by King IV™.

Membership

The committee comprises Mr Stuart Morris (chairman), Messrs Deon Huysamer and Frank Kilbourn, and Ms Ndumi Medupe, each of whom are independent non-executive directors and all of whom are financially literate and possess the necessary experience to contribute to the committee's deliberations. The committee met three times during the year with the chief executive officer, chief financial officer and representatives from external audit and internal audit attending each meeting by invitation.

Mandate and terms of reference

Further information with regards to the audit committee, including its terms of reference and procedures, is described more fully in the governance report on pages 74 and 75 of this Integrated Report.

Statutory duties

The audit committee is satisfied that it considered, executed and discharged its responsibilities during the year in accordance with its mandate as described above.

The committee has considered the independence of the company's external auditors, KPMG Inc., and is satisfied that, for the year under review, the external auditors are independent. The committee adopts a work plan annually, in advance, in order to manage the discharge of its responsibilities under the Companies Act, King IV™, its own charter and the JSE Listings Requirements.

It approved the external auditors' fees for 2020 and the non-audit-related services performed by the external auditors during the year in accordance with the policy established and approved by the board.

The committee, excluding management invitees, met with both the external and internal auditors in order to discuss any issues relevant to the audit as well as to consider the resources and adequacy of the finance function, in particular the expertise and experience of the chief financial officer. It concluded that both were adequate.

The committee, excluding both the external and internal auditors, met with management invitees in order to discuss any issues relevant to the audit as well as to consider the quality and effectiveness of the external and internal audit process and concluded that both were adequate.

After assessing the requirements set out in the Companies Act, the committee is satisfied with the independence and objectivity of the external auditors, and recommends the reappointment of the external auditors at the next annual general meeting.

The audit committee has requested all findings by the Independent Regulatory Board for Auditors or any other regulatory bodies, and the associated responses and reviews undertaken by the auditor. There are no significant matters to report on in this regard.

Internal control

The audit committee has considered and approved the group's system of internal financial controls, based on the reports received from the external auditors and reports on hotel visits by the internal auditors, and confirms that no material breakdown of internal controls has taken place during the year.

Solvency and liquidity

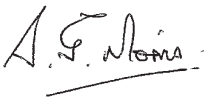
The committee is satisfied that the board has performed a solvency and liquidity test on the company and has concluded that the company satisfies the test, on the basis of the successful completion of the rights offer and the continued availability of borrowing facilities.

Integrated reporting

The Integrated Report comprises the:

- corporate report
- governance report
- social and ethics report
- remuneration report
- supplementary information to the Integrated Report
- the annual financial statements.

Following our review, and having regard to all material factors and risks that may impact the integrity of the Integrated Report, we accordingly recommend the Integrated Report and group financial statements of City Lodge Hotels Limited for the year ended 30 June 2020 to the board of directors for approval on 12 November 2020.



S G Morris
Chairman of the audit committee

12 November 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Nature of business

The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller.

Financial results

Group loss before taxation for the year amounted to R582.7 million (2019 profit before tax: R307.0 million) while consolidated headline earnings totalled a loss of R142.1 million (-388.1 cents per share, diluted) compared with headline earnings of R205.3 million (560.4 cents per share, diluted) for the previous year. Net asset value per share decreased to 1 549.5 cents from 3 017.3 cents in the prior year. Net tangible asset value per share, also decreased in the current year to 1 393.0 cents (2019: 2 866 cents).

On a normalised basis, the consolidated headline earnings totalled a loss of R78.8 million (-181.1 cents per share, diluted), consolidated normalised headline earnings loss excluding the effects of first time implementation of IFRS 16 *Leases* totalled R11.4 million (-26.3 cents per share, diluted) compared with normalised headline earnings excluding the effects of implementation of IFRS 16 *Leases* of R267.1 million (613.4 cents per share, diluted) for the previous year.

The company's interest in its subsidiaries' loss after taxation amounted to R268.6 million (2019 profit after taxation: R13.3 million).

Interest-bearing borrowings

During 2015, the group was granted an approved facility of R1 140 million to be utilised in funding the group's expansion with final repayment due five years after each initial drawdown. During the year, the group refinanced the R450 million interest-bearing borrowings, due for repayment by the end of 2020, to the end of 2022, at an improved interest rate. An additional amount of R90 million (2019: R210 million) was utilised during the year, increasing the amount due to R750 million. Further details are included in note 12.

Dividends

An interim dividend of 153.0 cents per share (2019: 229.0 cents) was declared on 19 February 2020, payable to ordinary shareholders registered on 16 March 2020. Having regard to the impact of COVID-19 on the group's operations and the minimal revenue earned since the declaration of the national state of disaster in South Africa on the 15 March 2020, the board has determined that no final dividend shall be declared and paid in respect of the year ended 30 June 2020. A final dividend of 137.0 cents per share was declared in the prior year.

Share capital

There was no change in the authorised share capital of the company during the year under review.

No share capital was issued during the year (2019: nil shares) as reflected in note 10.

The City Lodge 10th anniversary employees' share trust

At a general meeting of shareholders on 18 December 1995, a share scheme was created for all employees other than those employees who participate in the City Lodge executive employee share incentive scheme. The company issued 1 000 000 new ordinary shares to the trust which were funded by means of an interest-free loan from the company for an amount of R34 million.

The following distributions were made in terms of the scheme:

Distribution date	Shares per employee	Total shares
December 1995	30	15 420
November 2005	55	38 445
November 2006	138	88 734
November 2007	214	137 388
November 2010	48	36 336
November 2012	80	72 960
November 2013	69	61 846
November 2015	25	22 800
November 2016	19	17 575
November 2018	3	2 850
		494 354

In applying IFRS 9 *Financial Instruments: recognition and measurement*, the carrying value of the loan in the company is R12.0 million based on impairment adjustment to the closing share price at year end (2019: R34.0 million).

Subsidiaries

Details relating to interest in subsidiaries are included in note 4.

Directorate and secretary

The directors in office during the year under review were: A W Dooley (resigned 9 March 2020), D Nathoo (appointed 9 March 2020), G G Huysamer, F W J Kilbourn, S Marutlulle, N Medupe, S G Morris, B T Ngcuka (chairman), V M Rague, L G Siddo, A C Widegger and K I M Shongwe (resigned 7 November 2019).

In terms of the memorandum of incorporation, Mr B T Ngcuka, Ms N Medupe, and Mr G G Huysamer retire at the forthcoming annual general meeting but are eligible and available for re-election.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Directors' interest

The directors' individual interest in the ordinary share capital of the company at 30 June were as follows:

	Beneficial			
	Direct		Indirect	
	2020	**2019**	**2020**	**2019**
G G Huysamer	**–**	–	**–**	–
F W J Kilbourn[Δ]	**17 000**	17 000	**15 583**	17 500
S Marutlulle	**–**	–	**–**	–
N Medupe	**–**	–	**–**	–
S G Morris	**–**	–	**–**	–
B T Ngcuka	**–**	–	**444 521***	444 521*
V M Rague	**–**	–	**–**	–
A W Dooley (resigned 9 March 2020)	**–**	14 716	**–**	–
K I M Shongwe (resigned 7 November 2019)	**–**	–	**–**	–
L G Siddo	**4 680**	2 245	**–**	–
D Nathoo (appointed 9 March 2020)	**–**	–	**–**	–
A C Widegger	**216 497**	209 293	**–**	–
Total	**238 177**	243 254	**460 104**	462 021

** B T Ngcuka's indirect shareholding reflects this proportionate share of the 2 556 185 shares owned by Vuwa Investments Proprietary Limited, which shares were funded by way of a loan secured by a guarantee.*

[Δ] F W J Kilbourn's direct holding and 5 383 of his indirect holding is pledged as security for a facility. The balance of the indirect holding is unencumbered.

Directors were interested in nil (2019: nil) options to acquire ordinary shares in the company at 30 June 2020 under the executive share incentive scheme. This scheme has been replaced by the share appreciation rights scheme, the deferred bonus plan and the restricted share plan. Details of awards held by individual directors are included in note 21.

Directors' interests have changed between the reporting date and the date of issue of this Integrated Report, as directors who owned shares at the record date exercised their rights for additional shares during the rights offer, which completed on 21 August 2020.

The directors' individual interest in the ordinary share capital of the company at 22 October 2020 was as follows:

	Direct	Indirect
G G Huysamer	–	–
F W J Kilbourn	238 000	218 162
S Marutlulle	–	–
N Medupe	–	–
S G Morris	–	–
B T Ngcuka*	–	2 461 891
V M Rague	–	–
A W Dooley (resigned 9 March 2020)	–	–
K I M Shongwe (resigned 7 November 2019)	–	–
L G Siddo	65 520	–
D Nathoo (appointed 9 March 2020)	–	–
A C Widegger	3 030 958	–
Total	**3 334 478**	**2 680 053**

** B T Ngcuka indirectly holds shares in the company by virtue of him owning 17.39% of the shares in Vuwa Investments Proprietary Limited (Vuwa). Vuwa in turn holds 100% of the Vuwa Hotels (RF) Proprietary Limited (Vuwa SPV), which now holds 2.32% of the shares in the company.*

Going concern

The group has incurred a net loss for the year ended 30 June 2020 of R486.6 million (2019: profit of R205.5 million) primarily due to minimal revenues in the last quarter following the commencement of the South African national lockdown on 27 March 2020 and similar lockdown measures in the other countries in which the group operates, impairment losses on property, plant and equipment and right-of-use assets of R488.4 million, and deferred tax assets R47.1 million (2019: Rnil) due to the impact of COVID-19 on the cash flow forecasts, and the recognition of IFRS 16 *Leases* interest expense and depreciation net of previously recognised lease expenses of R67.4 million, net of tax. As at 30 June 2020, the group has a net cash and cash equivalents overdraft of R19.0 million, and the current liabilities exceeded its current assets by R788.9 million relating primarily to financial commitments in respect of the BEE preference shares and accrued dividend liabilities and BEE interest-bearing borrowings amounting to R752.2 million which are due for repayment by 31 January 2021.

The directors recognise the going concern challenges and have addressed these through actions taken to ensure sufficient liquidity to meet its obligations and to counteract the expected losses resulting from the impact of COVID-19 on the group's operations. These are listed in note 33.

The directors have performed a cash flow forecast and have satisfied themselves that the company and its subsidiaries are in a sound financial position and that they have access to sufficient cash and borrowing facilities to meet their foreseeable cash requirements.

The directors therefore considered it appropriate to adopt the going concern basis in preparing the group and company's financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CITY LODGE HOTELS LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of City Lodge Hotels Limited (the group and company) set out on pages 115 to 158, which comprise the statements of financial position at 30 June 2020, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, accounting policies, notes to the financial statements and segment analysis.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of City Lodge Hotels Limited at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from contracts with customers

(Applicable to the consolidated and separate financial statements)

Refer to note 19 as well as revenue recognition accounting policy on page 121.

Key audit matter	How the matter was addressed in our audit
Due to the nature of the business of providing accommodation, the volume of transactions are high and controls is consequently important to ensure the appropriate recognition of revenue. Revenue is a key performance measure which would create an incentive for revenue to be recognised before the performance obligations have been fulfilled in terms of the recognition requirements of IFRS 15 *Revenue from Contracts with Customers*. Revenue for the year for accommodation, food and beverage amounts to R1 159 million for the group and R1 047 million for the company. Due to the risk associated with the recognition of revenue from contracts with customers and the significant work required from the audit team, revenue recognition was considered to be a key audit matter in our audit of the consolidated and separate financial statements.	Our audit work included the following: • We considered the appropriateness of the group's and company's revenue recognition accounting policies in accordance with IFRS 15 *Revenue from Contracts with Customers*; • We performed predictive analytical procedures over the accommodation, food and beverage revenue streams and compared our expectations to the actual revenue recorded and where the differences were outside our expected ranges, we investigated these differences; • For a sample of revenue transactions selected close to year end and after year end, inspected source documents to ensure the transactions were recorded in the correct period; • We vouched a sample of revenue transactions which had not been settled by year end to subsequent receipt from customers or registration cards to verify the appropriateness of the revenue recorded; • We tested a sample of revenue throughout the year by agreeing a sample of invoices to receipts from customers or registration cards to verify the existence and accuracy of the revenue recorded; and • We evaluated the appropriateness of the disclosures in the financial statements as well as the accounting policies to ensure they are in line with IFRS 15 *Revenue from Contracts with Customers*.

Valuation of property, plant and equipment and right-of-use assets
(Applicable to the consolidated and separate financial statements)

Refer to note 1 and 2 as well as the property, plant and equipment and leases accounting policies on page 118 and page 119

Key audit matter	How the matter was addressed in our audit
The group and the company have property, plant and equipment ("PPE"), which comprises primarily of hotel buildings, and right-of-use assets relating to leases for hotels in the countries the group and company operate in. As at 30 June 2020 the group's and company's carrying amount of PPE amounted to R2 510 million and R1 279 million respectively after recognition of an impairment loss of R245 million and R29 million respectively. As at that date, the group's and company's carrying amount relating to right-of-use assets amounted to R985 million and R875 million respectively after recognition of an impairment loss of R243 million and R168 million respectively. Due to the significant impact COVID-19 has had on the group and company's operations, when most of the hotels were closed due to strict lockdown protocols implemented in each of the countries where the group and company operates, an impairment assessment was required to be performed for the PPE and right-of-use assets. Determining the recoverable amount for each hotel requires management to make significant assumptions regarding revenue growth (room rates and occupancies), terminal growth rates and discount rates applied to future cash flows and also the fair value less costs to sell of hotels where the carrying amount could be recoverable through sale rather than through use. Given the complexities involved and the judgements applied, the assessment of these assets for impairment was considered to be a key audit matter.	Our audit work included the following: • We assessed whether the individual hotels comprised individual cash generating units (CGUs); • We evaluated whether the model used by the directors to determine the value in use of the individual CGUs, complied with the requirements of IAS 36 – *Impairment of Assets*; • We engaged our valuation specialists to review the principles of the model and assumptions used to determine the discount rates, terminal growth rates and forecast cash flows; • We challenged the future projected cash flows, including the revenue, operating results and terminal growth rates to determine whether they were reasonable and supportable, given the current macro-economic climate and expected future performance of the CGUs. Historical performance was used to assess reasonableness of the forecasts where the occupancy and trading levels are presumed to return to pre-COVID-19 levels; • We compared the key assumptions to sensitivity analyses to determine the impact on the carrying amounts; • For new hotels and hotels where the carrying amount could not be recovered through use, we assessed the appropriateness of the fair value less cost to sell, with reference to recent comparable sales transactions for similar assets; and • We evaluated the appropriateness of disclosures in the financial statements as well as the accounting policies to ensure they are in line with the requirements of IAS 36 – *Impairment of Assets.*

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key judgements applied in going concern assessment
(Applicable to the consolidated and separate financial statements)

Refer to note 35

Key audit matter	How the matter was addressed in our audit
The global impact of COVID-19 has resulted in an unprecedented increased level of economic uncertainty. This uncertainty has an impact on the projection of future cash flows of the group and company. Assessing the impact of COVID-19 on the appropriateness of the going concern assumption used in the preparation of the consolidated and separate financial statements required considerable focus and time by management, the directors and auditors. In addition, the existing long-term borrowings relating to the BEE entities consolidated into the group of R752.2 million are due and payable by 31 January 2021 and has consequently been disclosed as current liabilities. Current liabilities significantly exceed current assets for both the group and company at 30 June 2020. Subsequent to year end the company negotiated an additional bridging loan facility of R200 million with the groups bankers. Repayment of the amount utilised, was due and payable upon the successful completion of the rights offer, amounting to R1.2 billion. The rights offer was concluded subsequent to year end as disclosed in note 33. The directors have considered whether developments subsequent to the reporting date have any implications on the adoption of the going concern assumption by evaluating the impact the current uncertainties have on the group's and company's capital and liquidity position. The directors have concluded that the going concern basis of accounting is appropriate and in reaching their conclusions, they have taken into consideration the latest information, including assumptions and judgements about forward-looking economic scenarios. The judgements applied by the directors in reaching their going concern conclusion are disclosed in note 35 to the consolidated and separate financial statements. Concluding on the appropriateness of the use of the going concern assumption, including assessing whether a material uncertainty exists related to going concern, was considered to be a key audit matter in our audit of the consolidated and separate financial statements.	We considered the impact of the uncertainties arising from COVID-19 on the group and company when assessing the future cash flows and judgements applied in concluding on the going concern assumption. In evaluating the director's judgements in determining whether there are any material uncertainties which may significantly cast doubt on the group's and company's ability to continue as going concerns, the following was performed: We assessed the operational disruptions resulting from the COVID-19 pandemic and the resulting lockdown in various jurisdictions in which the group and company operate and understood the actions taken by management and the directors to mitigate the impact of the COVID-19 pandemic and lockdown on the group and company's operations. We assessed the reliability of the directors' revised cash flow forecasts for the 12 months from date of approval of these consolidated and separate financial statements and critically challenged the key inputs into these forecasts including the following: • Amount of, and availability of, financing facilities including inspecting the new arrangement in respect of the additional bridging loan facility secured subsequent to year end of R200 million; • Reasonableness of projected monthly revenue and monthly cash collections; • Reasonableness of cost saving initiatives proposed as disclosed in note 33; • Assessment of compliance with banking covenants in future and impact of any potential breaches, including reviewing correspondence where the waiver of borrowing covenants for both the June 2020 and December 2020 measurement periods were given as disclosed in note 34; and • Assessing the impact of the completion of a rights offer of R1.2 billion on the future liquidity of the group and company. We evaluated the appropriateness of the disclosures in note 35 to the consolidated and separate financial statements.

Other information
The directors are responsible for the other information. The other information comprises the information included in the document titled "City Lodge Hotel Group Integrated Report 2020", which includes the Certificate by the company secretary, Report of the audit committee and the Directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT CONTINUED

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be though to bear on our independence and where applicable actions take to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of City Lodge Hotels Limited for 34 years.

KPMG Inc.
Registered Auditor



Per Dwight Thompson
Chartered Accountant (SA)

Registered Auditor
Director
13 November 2020

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

Reporting entities

City Lodge Hotels Limited (the company) is a company domiciled in South Africa. The group financial statements as at and for the year ended 30 June 2020 comprise the company and its subsidiaries (together referred to as the group).

The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller.

Where reference is made to 'group', it should be interpreted as company, where the context requires and unless otherwise stated.

Basis of preparation

Functional and presentation currency

These financial statements are presented in Rand, which is the company's functional and group's presentation currency, rounded to the nearest thousand unless indicated otherwise.

Basis of measurement

These financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in relation to the following:

- Leases (notes 2 and 16)
- Measurement of share-based payments (note 26)
- Measurement of deferred tax assets and liabilities (note 6)
- Impairment of property, plant and equipment and right-of-use assets (notes 1 and 2)
- Impairment of goodwill (note 3).

Statement of compliance

The group and company financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board, the Listings Requirements of JSE Limited, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. These group and company financial statements were authorised for issue by the board of directors on 12 November 2020.

Significant accounting policies

The accounting policies set out on the following pages have been applied consistently by all group entities to all periods presented in these financial statements, except as indicated otherwise in the case of new and amended standards adopted by the group.

New and amended standards adopted by the group

The group adopted all the new revised or amended accounting pronouncements as issued by the IASB which were effective from 1 July 2019, the most significant accounting pronouncement for the group being IFRS 16 *Leases*.

The group has applied IFRS 16 *Leases* and adopted the modified retrospective approach. The comparative information has therefore not been restated and continues to be reported under IAS 17 *Leases*, as permitted under the specific transition provisions of the standard.

No adjustments were made to the opening retained earnings. On transition, the straight-lining accrued liability was off-set against the right-of-use asset. No other pronouncements had a material impact on the group.

IFRS 16 *Leases*

IFRS 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 *Leases* replaces the previous lease standard, IAS 17 *Leases*, and related interpretations.

Under IAS 17 *Leases*, the group accounted for operating leases by charging lease payments to profit or loss on a straight-line basis over the initial period of the lease. The group had no finance leases as at 1 July 2019.

IFRS 16 *Leases* has one model for lessees which results in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the statement of financial position, requiring a right-of-use asset and a lease liability to be recognised. At 1 July 2019, the group raised right-of-use assets of R1.3 billion, and lease liabilities of R1.4 billion.

Measurement of right-of-use assets

The right-of-use assets recognised at lease commencement includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated using the straight line method over the lease term. In addition, the right-of-use assets is periodically assessed for impairments, and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

Measurement of lease liabilities

The lease liabilities are initially measured at the present value of the lease payments to be made over the lease term, discounted using the rate implicit in the lease or, if that rate is not readily determinable, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liabilities comprises fixed payments, including in-substance fixed payments.

Lease payments are allocated between principal and finance cost. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

As part of the modified retrospective approach, the group has elected to apply the practical expedient, which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics. The group has applied the recognition exemptions for short-term leases (leases which have a lease term of 12 months or less) and leases of low-value items.

Some property leases contain variable payment terms that are linked to gross revenue. These payments are recognised in profit and loss in the period in which the conditions that trigger those payments occurs.

Modification of leases

When the group modifies the terms of the lease or reassesses the estimates without increasing the scope of the lease, that results in changes to future payments, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. An equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term.

Adoption of IFRS 16 *Leases*

On adoption of IFRS 16 *Leases*, the group and company's right-of-use assets for property leases were measured on the modified retrospective approach. All right-of use assets were measured at the amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

	GROUP	COMPANY
R000	**1 July 2019**	**1 July 2019**
Lease liability recognised	1 389 607	1 181 551
Accrued lease payments	(78 899)	(58 106)
Right-of-use asset recognised under IFRS 16 *Leases*	**1 310 708**	**1 123 445**

On adoption of IFRS 16 *Leases*, the group recognised lease liabilities measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The group's respective weighted average incremental borrowing rate applied to these lease liabilities on 1 July 2019 was 9.125%.

Reconciliation of outstanding commitments under non-cancellable operating lease agreements to the lease liability recognised:

	GROUP	COMPANY
R000	**1 July 2019**	**1 July 2019**
Operating lease commitments disclosed as at 30 June 2019	960 471	706 507
Discounting adjustments using the respective incremental borrowing rates	429 136	475 044
Lease liability recognised under IFRS 16 *Leases* as at 1 July 2019	**1 389 607**	**1 181 551**
Of which:		
Current lease liabilities	16 537	16 036
Non-current lease liabilities	1 373 070	1 165 515
	1 389 607	**1 181 551**

Impact for the year ended 30 June 2020

	GROUP		COMPANY	
R000	**30 June 2020**	**30 June 2019**	**30 June 2020**	**30 June 2019**
Effect of the statement of financial position				
Operating lease accrual	**–**	(78 899)	**–**	(58 106)
Right-of-use assets (net of impairments)	**985 014**		**874 775**	
Lease liability	**(1 388 440)**		**(1 167 770)**	

The following amounts have been included in the statement of profit or loss relating to leases:

	GROUP		COMPANY	
R000	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2020	Year ended 30 June 2019
Depreciation – right-of-use assets	**92 302**		**80 806**	
Impairment of right-of-use assets	**242 889**		**167 864**	
Interest expense – leases	**117 214**		**97 908**	
Lease-related expenses recognised due to the implementation of IFRS 16 *Leases*	**452 405**		**346 578**	
Had the group accounted for leases under IAS 17 *Leases* property rentals would have amounted to	**(116 202)**	(116 135)	**(111 596)**	(128 692)
Effect on profit before tax for the year had there been no change in the accounting policy	**336 203**		**234 982**	

Practical expedients applied by the group on transition

The group applied the practical expedient per IFRS 16 *Leases* in that the IFRS 16 *Leases* definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 July 2019) are, or contain, leases, and electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made by applying IAS 17 *Lease* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. Hence, all contracts previously assessed not to contain leases were not reassessed.

The group also applied the following expedients on transition:

- Recognition exemptions for short-term leases (a lease that at the commencement date, has a lease term of 12 months or less)
- Recognition exemptions for leases of low-value items (mainly small items of office equipment and furniture)
- Relied on its existing onerous lease contract assessments as an alternative to performing impairment reviews on right-of-use assets as at 1 July 2019.

Significant judgements and estimates

The preparation of the consolidated and separate financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, consideration of market predictions at these unprecedented time and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, in addition to information about impairments set out in note 1 and going concern set out in note 35, information about significant areas of estimation, uncertainty and critical judgements, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in relation to the following:

Leases

Determining the respective discount rate

Management has considered the group's incremental borrowing rate of 9.125%, as the appropriate discount rate applied at the adoption of IFRS 16 *Leases*.

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension options (or periods after termination options) have been considered and where certain, one lease renewal period has been included in the lease term. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Determining the low-value leases

In determining the low-value leases, management assessed the value of the underlying individual assets at the original date of acquisition and whether they would individually have a material impact on the statement of financial position. Low value assets comprise IT equipment and small items of furniture.

Measurement of share-based payments

Equity-settled share appreciation right scheme and equity-settled 10th anniversary employee share plan

The group uses an independent valuation expert to conduct bi-annual reviews of the equity-settled share appreciation rights scheme and equity-settled 10th anniversary employee share plan, and adjusts for any employee forfeitures and terminations. Refer to note 26 for valuation methodology applied.

ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

Measurement of deferred tax assets and liabilities
The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. The group reviews the recoverability of deferred tax assets annually. These calculations require use of estimates as referenced in note 6 of the consolidated and separate financial statements.

Impairment of property, plant and equipment and right-of-use assets
The group tests property, plant and equipment and right-of-use assets when there is an indicator of an impairment in accordance with the accounting policy. The recoverable amounts of the assets have been determined based on the higher of fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates as disclosed in note 1 of the consolidated and separate financial statements.

Impairment of goodwill
The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and the value-in-use calculations. These calculations require use of estimates as disclosed in note 3 of the consolidated and separate financial statements.

Basis of consolidation
The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and liabilities assumed. For a business combination achieved in stages, the pre-existing equity interest in the acquiree is measured at fair value at the acquisition date. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Investments in subsidiaries are carried at cost less accumulated impairment adjustments in the company's separate financial statements.

Subsidiaries
Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Goodwill
Goodwill represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition and if a business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.

Goodwill is stated at cost less accumulated impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

Foreign transactions and balances
The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date with the resultant translation differences being credited or charged to profit or loss.

Foreign subsidiaries – translation
One-off items in the statement of comprehensive income and cash flow statements of foreign subsidiaries expressed in currencies other than the South African rand are translated to South African rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. All translation exchange differences arising on the retranslation of opening net assets together with differences between statement of comprehensive income translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Structured entities
The group has established a number of structured entities for the purposes of the BEE transaction. The group does not have any direct or indirect shareholdings in these entities. The group has guaranteed the funding of the structured entities and as such is deemed to control these structured entities resulting in the incorporation of the structured entities into the company and group financial statements.

Transactions eliminated on consolidation
Intragroup transactions and balances, and any unrealised income or expenses arising from intragroup transactions, are eliminated in preparing the group financial statements.

Property, plant and equipment
Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets

includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is stated at cost and is not depreciated. Freehold and leasehold buildings are stated at cost and depreciated over periods of up to 50 years as deemed appropriate to reduce carrying values to estimated residual values over their useful lives. Buildings under construction are not depreciated.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Borrowing costs incurred on funds raised to erect hotel buildings (qualifying assets) are capitalised up to the date that the activities necessary to prepare the hotel for its intended use are substantially complete.

Government grants are recognised when there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant. Such grants are deducted from the cost of the asset.

Depreciation is charged to profit or loss to write off the cost of the asset to its estimated residual value on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Depreciation commences the month following acquisition. The estimated useful lives are currently as follows:

Buildings	10 to 50 years
Furniture and equipment	Three to five years

Leasehold improvements are written off over the initial period of the lease.

The residual values, depreciation methods, and useful lives are reassessed annually.

Gains or losses arising on the disposal of property, plant and equipment are included in profit or loss.

Leases – *applicable from 1 July 2019*
As explained in the new and amended standards adopted by the group, with effect from 1 July 2019 the group changed its accounting policy for leases where the group is the lessee. The accounting policy is described below and the impact of the change in the 'new and amended standards adopted by the group' section of the accounting policies.

As a lessee
The group recognises right-of-use assets and corresponding lease liabilities on the balance sheet for leases at the date at which the leased asset is available for use by the group. Each lease payment is allocated between liability and interest expense. The interest expense is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment. The right-of-use asset is depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease terms are negotiated on an individuals basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). In-substance fixed payments are variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For leases of property for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The group has no residual value guarantees.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly small items of office equipment and furniture.

Leases – *applicable before 1 July 2019*
Operating leases as lessee
Leases, where the lessor retains the risk and rewards of ownership of the underlying asset, are classified as operating leases.

Operating lease payments are expensed in profit or loss on a straight-line basis over the period of the leases. Other contingent operating lease payments are charged against profit or loss as they are incurred.

Intangible assets
Internally developed trademarks are not recognised. Expenditure to enhance and maintain such trademarks is charged in full against profit or loss.

Expenditure on research activities is recognised in profit or loss as incurred.

Software development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits

ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, software development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives are as follows:

Software development costs	Five to 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairments

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate or estimated using a price to earnings ratio that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Pre-opening expenses

Pre-opening expenses of new hotels are charged directly against profit or loss as incurred.

Inventories

Inventory is stated at the lower of cost and net realisable value, on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. Deferred taxation is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income in which case it is recognised in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income in which case it is recognised directly in equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid, recognised directly in equity.

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

The group has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime credit losses on all balances. The balance of the group's financial assets measured at amortised cost are loans receivable and cash and cash equivalents to which the general model is applied.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations expire or are discharged or cancelled. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Non-derivative financial liabilities

The group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Interest expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortised cost of the financial liability.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital and equity

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

BEE investment and incentive scheme shares

Ordinary shares held by the BEE structured entities and under the long-term incentive scheme for employees are treated as treasury shares.

Preference shares

Preference share capital is classified as a liability as it is redeemable on a specific date or at the option of the shareholders and as the dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled, in exchange for transferring goods or services to a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The group recognises revenue from the following major sources:

- Accommodation
- Food and beverage
- Other revenue

ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

The transaction price is recorded as revenue when the performance obligations are satisfied.

Accommodation – the performance obligation is met when the accommodation service is complete. As such revenue is recognised at a point in time.

Food and beverage – the revenue is recognised at a point in time when the food and/or beverage is delivered to and accepted by the customer.

Other revenue – the revenue is recognised at a point in time. This comprises ancillary services and revenue is recognised once the service is complete.

Customer payment terms utilising an incidental credit facility are within 30 days of statement.

Customers who purchase the group's services may join the group's customer loyalty programme and earn points that are redeemable against future purchases of the group's accommodation and related services. The points accumulate and expire after a period of three years. The group allocates a portion of the consideration received to loyalty points based on standalone selling prices. The amount allocated to the loyalty programme is deferred and is recognised as revenue when loyalty points are redeemed. When estimating standalone selling prices of the loyalty points, the group takes into account the expected redemption rate and the timing of such redemptions based on historical usage and forfeiture rates. The deferred revenue is recognised as contract liabilities, included in trade and other payables.

Interest income and expense
Interest income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Interest expenses comprise interest expense on borrowings, dividends on preference shares classified as liabilities and unwinding of discounts on provisions. All borrowing costs, not directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss using the effective interest method.

Employee benefits
Short-term employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to salaries, bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The liability has been calculated at undiscounted amounts based on current salary rates.

Retirement benefits
Defined-contribution plans
Contributions to defined-contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Share-based payment transactions
The share incentive schemes allow certain employees to acquire shares of the company.

The fair value of rights granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights. The fair value of the rights granted is measured using the stated models, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest, as well as for the number of share rights that is expected to vest in future, except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of restricted share plan shares granted are recognised as an employee expense over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted in the case of forfeiture due to termination of employment prior to vesting.

Share-based payment arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

Earnings per share
The group presents basic, diluted and normalised earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding, excluding shares held by the BEE structured entities, during the period.

Diluted EPS is determined by dividing profit for the year by the weighted average number of ordinary shares outstanding, excluding shares held by the BEE structured entities, plus all potential dilutive ordinary shares, which comprise share options granted to employees.

Headline earnings per share is calculated in terms of circular 1/2019, and previous years have been calculated in terms of circular 4/2018.

Operating segments
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision-maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2020

		GROUP		COMPANY	
R000	Note	2020	2019	2020	2019
Assets					
Non-current assets		**3 617 316**	2 722 355	**2 700 988**	1 890 254
Property, plant and equipment	1	**2 509 752**	2 630 411	**1 279 400**	1 316 664
Right-of-use-assets	2	**985 014**	–	**874 775**	–
Intangible assets and goodwill	3	**57 422**	55 358	**56 641**	54 438
Interest in subsidiaries	4.1			**386 552**	386 552
Loan to subsidiary	4.2			**62 800**	62 800
Investments		**800**	800	**800**	800
Other investments	9	**7 900**	13 073	**–**	–
Loan receivable	5			**40 020**	69 000
Deferred taxation	6	**56 428**	22 713	**–**	–
Current assets		**241 088**	303 373	**149 850**	170 506
Inventories	7	**5 540**	7 978	**2 601**	4 103
Trade receivables	30.4	**18 877**	77 369	**18 733**	70 631
Other receivables	8	**137 602**	128 468	**91 635**	76 521
Taxation receivable		**42 756**	11 935	**36 881**	6 602
Other investments	9	**7 900**	6 577		
Cash and cash equivalents		**28 413**	71 046	**–**	12 649
Total assets		**3 858 404**	3 025 728	**2 850 838**	2 060 760
Equity					
Capital and reserves		**568 316**	1 106 701	**439 587**	779 694
Share capital and premium	10	**179 503**	179 503	**179 503**	179 503
BEE investment and incentive scheme shares		**(514 381)**	(518 014)	**(495 703)**	(499 336)
Other reserves	11	**190 511**	137 683	**113 262**	112 562
Retained earnings		**712 683**	1 307 529	**642 525**	986 965
Liabilities					
Non-current liabilities		**2 260 101**	1 701 435	**1 276 904**	995 858
Interest-bearing borrowings	12	**750 000**	660 000	**–**	–
BEE interest-bearing borrowings	13	**–**	44 120	**–**	44 120
BEE preference shares	14	**–**	355 000	**–**	355 000
BEE shareholder's loan	15	**–**	50 000	**–**	50 000
BEE B preference share dividend accrual	14	**–**	315 604	**–**	315 604
Lease liabilities	16	**1 376 063**	–	**1 156 924**	–
Other non-current liabilities	17	**–**	78 899	**–**	58 106
Deferred taxation	6	**134 038**	197 812	**119 980**	173 028
Current liabilities		**1 029 987**	217 592	**1 134 347**	285 208
Trade and other payables	18	**170 336**	217 592	**270 834**	285 208
Lease liabilities	16	**12 377**	–	**10 846**	–
BEE interest-bearing borrowings	13	**44 120**	–	**44 120**	–
BEE preference shares	14	**349 300**	–	**349 300**	–
BEE shareholder's loan	15	**50 000**	–	**50 000**	–
BEE B preference share dividend accrual	14	**356 416**	–	**356 416**	–
Bank overdraft		**47 438**	–	**52 831**	–
Total liabilities		**3 290 088**	1 919 027	**2 411 251**	1 281 066
Total equity and liabilities		**3 858 404**	3 025 728	**2 850 838**	2 060 760

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		GROUP		COMPANY	
R000	**Note**	**2020**	**2019**	**2020**	**2019**
Revenue from contracts with customers	19	**1 159 283**	1 547 984	**1 047 348**	1 404 154
Other income		**4 829**	4 475	**4 550**	4 475
Administration and marketing costs		**(97 314)**	(106 432)	**(93 924)**	(101 544)
BEE transaction charges		**(288)**	(352)	**(288)**	(352)
Expected credit (loss)/gain on trade and other receivables		**(268)**	(2 198)	**1 711**	(2 308)
Operating costs excluding depreciation and amortisation		**(735 848)**	(961 422)	**(715 204)**	(868 916)
		330 394	482 055	**244 193**	435 509
Depreciation and amortisation		**(131 156)**	(117 471)	**(101 717)**	(99 611)
Depreciation – right-of-use assets	2	**(92 302)**	–	**(80 806)**	–
Results from operating activities	20	**106 936**	364 584	**61 670**	335 898
Impairment loss on property, plant and equipment		**(245 464)**	–	**(29 492)**	–
Impairment loss on right-of-use assets		**(242 889)**	–	**(167 864)**	–
Impairment loss on loan receivable				**(21 980)**	–
Interest income	22.1	**2 914**	2 233	**11 567**	12 584
Interest expense	22.2	**(204 212)**	(59 842)	**(152 155)**	(55 205)
(Loss)/profit before taxation		**(582 715)**	306 975	**(298 254)**	293 277
Taxation	23	**96 083**	(101 519)	**61 646**	(97 564)
(Loss)/profit for the year		**(486 632)**	205 456	**(236 608)**	195 713
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		**52 128**	(2 397)		
Total comprehensive income for the year		**(434 504)**	203 059	**(236 608)**	195 713
Basic earnings per share (cents)		**(1 329.4)**	562.0		
Basic diluted earnings per share (cents)		**(1 329.4)**	560.7		

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		GROUP		COMPANY	
R000	**Note**	**2020**	**2019**	**2020**	**2019**
Cash generated by operations	28.1	**273 258**	492 767	**276 234**	458 721
Interest received		**2 914**	2 233	**11 567**	12 584
Interest paid		**(77 114)**	(64 774)	**(14 060)**	(17 142)
Interest paid – leases		**(117 214)**	–	**(97 908)**	
Taxation paid	28.2	**(37 529)**	(95 101)	**(30 303)**	(85 636)
Dividends paid	24	**(108 214)**	(160 100)	**(107 832)**	(160 039)
Cash (outflow)/inflow from operating activities		**(63 899)**	175 025	**37 698**	208 488
Cash utilised in investing activities		**(102 642)**	(371 965)	**(80 757)**	(166 975)
Investment to maintain operations	28.3	**(53 749)**	(71 785)	**(51 590)**	(70 608)
Investment to expand operations	28.4	**(49 035)**	(335 346)	**(36 309)**	(127 533)
Expenditure refunded on operating leases		**–**	35 554	**–**	35 554
(Increase)/decrease in investments and loans	28.5	**–**	(600)	**7 000**	(4 600)
Proceeds on disposal of property, plant and equipment	28.3	**142**	212	**142**	212
Cash inflows/(outflows) from financing activities		**66 355**	195 019	**(22 421)**	(44 981)
Repayment of lease liability		**(15 005)**	–	**(13 781)**	–
Purchase of incentive scheme shares		**(2 940)**	(2 381)	**(2 940)**	(2 381)
Proceeds from interest-bearing borrowings		**90 000**	210 000		
Repayments of interest-bearing borrowings		**–**	–	**–**	(30 000)
Redemption of BEE preference shares		**(5 700)**	(12 600)	**(5 700)**	(12 600)
Net decrease in cash and cash equivalents		**(100 186)**	(1 921)	**(65 480)**	(3 468)
Cash and cash equivalents at beginning of year		**71 046**	53 093	**12 649**	16 117
Reclassification of other investments to cash and cash equivalents	9	**6 577**	20 398		–
Effect of movements in exchange rates on other investments		**(2 727)**	(430)		
Effect of movements in exchange rates on cash held		**6 265**	(94)		
Cash and cash equivalents at end of year		**(19 025)**	71 046	**(52 831)**	12 649

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

R000	Note	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
GROUP						
Balance at 30 June 2018		179 503	(524 984)	138 173	1 265 174	1 057 866
Total comprehensive income for the year		–	–	(2 397)	205 456	203 059
Profit for the year		–	–	–	205 456	205 456
Other comprehensive income						
Foreign currency translation differences		–	–	(2 397)	–	(2 397)
Transactions with owners, recorded directly in equity		–	6 970	1 907	(163 101)	(154 224)
Incentive scheme shares		–	6 970	(6 350)	(3 001)	(2 381)
Share compensation reserve	11	–	–	8 257	–	8 257
Dividends paid	24	–	–	–	(160 100)	(160 100)
Balance at 30 June 2019		179 503	(518 014)	137 683	1 307 529	1 106 701
Total comprehensive income for the year		**–**	**–**	**52 128**	**(486 632)**	**(434 504)**
Loss for the year		**–**	**–**	**–**	**(486 632)**	**(486 632)**
Other comprehensive income						
Foreign currency translation differences		**–**	**–**	**52 128**	**–**	**52 128**
Transactions with owners, recorded directly in equity		**–**	**3 633**	**700**	**(108 214)**	**(103 881)**
Incentive scheme shares		**–**	**3 633**	**(6 573)**	**–**	**(2 940)**
Share compensation reserve	11	**–**	**–**	**7 273**	**–**	**7 273**
Dividends paid	24	**–**	**–**	**–**	**(108 214)**	**(108 214)**
Balance at 30 June 2020		**179 503**	**(514 381)**	**190 511**	**712 683**	**568 316**

R000	Note	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
COMPANY						
Balance at 30 June 2018		179 503	(506 306)	110 655	954 292	738 144
Total comprehensive income for the year						
Profit for the year		–	–	–	195 713	195 713
Transactions with owners, recorded directly in equity		–	6 970	1 907	(163 040)	(154 163)
Incentive scheme shares		–	6 970	(6 350)	(3 001)	(2 381)
Share compensation reserve	11	–	–	8 257	–	8 257
Dividends paid	24	–	–	–	(160 039)	(160 039)
Balance at 30 June 2019		179 503	(499 336)	112 562	986 965	779 694
Total comprehensive income for the year						
Loss for the year		**–**	**–**	**–**	**(236 608)**	**(236 608)**
Transactions with owners, recorded directly in equity		**–**	**3 633**	**700**	**(107 832)**	**(103 499)**
Incentive scheme shares		**–**	**3 633**	**(6 573)**	**–**	**(2 940)**
Share compensation reserve	11	**–**		**7 273**	**–**	**7 273**
Dividends paid	24	**–**			**(107 832)**	**(107 832)**
Balance at 30 June 2020		**179 503**	**(495 703)**	**113 262**	**642 525**	**439 587**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
R000	**2020**	**2019**	**2020**	**2019**
1. Property, plant and equipment				
At cost				
Land	**338 709**	333 129	**1 178**	1 178
Buildings	**2 474 402**	2 221 164	**1 644 413**	1 499 547
– freehold	**1 837 025**	1 627 429	**1 304 427**	1 159 561
– leasehold	**637 377**	593 735	**339 986**	339 986
Buildings under construction	**261 258**	338 046	**1 262**	120 103
Furniture and equipment	**431 500**	407 854	**264 755**	266 151
	3 505 869	3 300 193	**1 911 608**	1 886 979
Accumulated depreciation and impairment				
Buildings	**758 169**	469 246	**504 228**	433 035
– freehold	**370 903**	252 981	**258 968**	219 470
– leasehold	**387 266**	216 265	**245 260**	213 565
Furniture and equipment	**237 948**	200 536	**127 980**	137 280
	996 117	669 782	**632 208**	570 315
Carrying amount				
Land	**338 709**	333 129	**1 178**	1 178
Buildings	**1 716 233**	1 751 918	**1 140 185**	1 066 512
– freehold	**1 466 122**	1 374 448	**1 045 459**	940 091
– leasehold	**250 111**	377 470	**94 726**	126 421
Buildings under construction	**261 258**	338 046	**1 262**	120 103
Furniture and equipment	**193 552**	207 318	**136 775**	128 871
	2 509 752	2 630 411	**1 279 400**	1 316 664

R000	**Land**	**Buildings**	**Furniture and equipment**	**Total**
Movements for the year				
Group – carrying amount				
Opening balance – 30 June 2018	295 764	1 796 578	193 054	2 285 396
Additions*	37 365	321 077	74 889	433 331
Acquisition through business combination	–	18 124	–	18 124
Disposals	–	–	(180)	(180)
Depreciation	–	(49 724)	(61 274)	(110 998)
Gain on foreign exchange movement	–	3 909	829	4 738
Closing balance – 30 June 2019	333 129	2 089 964	207 318	2 630 411
Additions*	**2 269**	**57 176**	**63 669**	**123 114**
Acquisition through business combination	**–**	**5 700**	**–**	**5 700**
Disposals	**–**	**–**	**(136)**	**(136)**
Depreciation	**–**	**(57 774)**	**(66 741)**	**(124 515)**
Impairment	**–**	**(222 853)**	**(22 611)**	**(245 464)**
Gain on foreign exchange movement	**3 311**	**105 278**	**12 053**	**120 642**
Closing balance – 30 June 2020	**338 709**	**1 977 491**	**193 552**	**2 509 752**

** Group – interest of R26.2 million (2019: R48.2 million) was capitalised in additions to buildings during the current and prior years (refer to note 22).*

R000	Land	Buildings	Furniture and equipment	Total
1. Property, plant and equipment continued				
Company – carrying amount				
Opening balance – 30 June 2018	1 178	1 086 835	124 175	1 212 188
Additions**	–	123 901	55 935	179 836
Acquisition through business combination	–	18 124	–	18 124
Disposals	–	–	(42)	(42)
Depreciation	–	(42 245)	(51 197)	(93 442)
Closing balance – 30 June 2019	1 178	1 186 615	128 871	1 316 664
Additions**	**–**	**20 325**	**61 747**	**82 072**
Acquisition through business combination	**–**	**5 700**	**–**	**5 700**
Disposals	**–**	**–**	**(136)**	**(136)**
Depreciation	**–**	**(45 385)**	**(50 023)**	**(95 408)**
Impairment	**–**	**(25 808)**	**(3 684)**	**(29 492)**
Closing balance – 30 June 2020	**1 178**	**1 141 447**	**136 775**	**1 279 400**

*** Company – interest of Rnil (2019: R3.7 million) was capitalised in additions to buildings during the current and prior years (refer to note 22).*

At 30 June 2020 properties with a carrying amount of R162.0 million (2019: R164.9 million) are subject to a registered bond to secure interest-bearing borrowings (refer to note 12).

A register of the land and buildings is available for inspection at the registered office of the company, a copy of which will be supplied to members of the public on request.

During the year, the group and company acquired five additional Courtyard Hotel sectional title units from independent owners, which are accounted as acquisitions through business combination.

The summary below provides the fair value of assets acquired and liabilities assumed at the acquisition date:

R000	2020	2019
Property, plant and equipment	**5 700**	18 124
Deferred tax	**(1 176)**	(2 964)
Total identifiable net assets acquired	**4 524**	15 160

The valuation technique used for measuring the fair value of the assets acquired were a market comparison technique and a cost technique. The valuation model uses projected future earnings and applies an earnings yield and price-earnings model, and depreciated cost where appropriate. Depreciated replacement cost reflects adjustments for physical deterioration, as well as functional and economic obsolescence. Gain on bargain purchase arising from the acquisition has been recognised as follows:

R000	2020	2019
Consideration transferred	**5 827**	18 604
Fair value of identifiable net assets	**(4 524)**	(15 160)
Goodwill	**(1 303)**	(3 708)
Gain on bargain purchase	**–**	(264)

Impairment

During the year ended 30 June 2020, the group impaired property, plant and equipment by R245.5 million (2019: R nil), and the company impaired by R29.4 million (2019: R nil) as a consequence of the downward short to medium-term trading expectations due to the global COVID-19 pandemic. The recoverable amount has been determined as the higher of value in use using a discounted cash flow model (DCF) and fair value less costs to sell. The discount rate utilised in the valuation was 16.1% (pre-tax rate of 16.9%) in the next financial year, reducing to a normalised level of 15.5% (pre-tax rate of 16.3%) by 2023 for South African hotels and range between 12.0% (pre-tax rate of 12.5%) and 19.9% (pre-tax rate of 20.7%) for Rest of Africa hotels. Management assumed a gradual increase in occupancy and a phased hotel re-opening for the first quarter of 2021 financial year. Occupancy and trading levels are assumed to return to 2019 financial year levels within the 2022 financial year. The annual growth rate applied to cash flow forecasts for established hotels for 2023 to 2025 financial years is 5%. The terminal growth rate applied is 4.5% for South African hotels and ranges between 4% and 6% for the Rest of Africa hotels. Fair value less costs to sell was based on information in the market relating to comparable sales. In the case of new hotels in Rest of Africa, which become operational during the last two years, fair value less costs to sell was determined as 75% of the cost of the hotel, as this was considered the best available estimate based on comparable sales. The valuation technique is considered to be a level 3, in respect of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. Property, plant and equipment continued

The carrying values of property, plant and equipment and right-of-use assets of the following geographical regions were impaired during the year.

Group	2020		
R000	Property, plant and equipment	Right-of-use asset	Total
South Africa	**29 492**	**167 864**	**197 356**
Rest of Africa	**215 972**	**75 025**	**290 997**
	245 464	**242 889**	**488 353**

The impairments in the company, comprise the South Africa portfolio of hotels only.

The table below indicates the sensitivities of the aggregate impairments for the following changes to assumptions:

	GROUP		COMPANY	
R000	Increase	Decrease	Increase	Decrease
5% change in the net cash flows	9 124	(14 918)	6 760	(12 530)
25bps change in the terminal growth rate	2 821	(2 697)	2 083	(1 991)
50bps change in the discount rate	(13 917)	9 455	(11 633)	6 983
5% change in the fair value less cost to sell values	22 601	(32 346)	1 932	(11 676)

2. Right-of-use assets

The group has adopted IFRS 16 *Leases* and applied the modified retrospective approach. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard.

	GROUP		COMPANY	
R000	2020	2019	2020	2019
Recognition of adoption of IFRS 16 *Leases* (1 July 2019)	**1 310 708**		**1 123 445**	
Depreciation	**(92 302)**		**(80 806)**	
Impairment	**(242 889)**		**(167 864)**	
Gain on foreign exchange movement	**9 497**			
Closing balance – 30 June 2020	**985 014**		**874 775**	
Cost	**1 310 708**		**1 123 445**	
Accumulated depreciation and impairments	**(325 694)**		**(248 670)**	
Net carrying amount	**985 014**		**874 775**	

During the year ended 30 June 2020, the group impaired the right-of-use assets by R242.9 million (2019: R nil) as a consequence of the downward short to medium-term trading expectations due to the global COVID-19 pandemic. Please refer to note 1 on impairment. Associated lease liabilities are disclosed in note 16.

Associated lease liabilities are disclosed in note 16.

3. Intangible assets and goodwill

	GROUP		COMPANY	
R000	2020	2019	2020	2019
At cost				
Software development costs	**62 904**	62 741	**61 119**	61 254
Goodwill	**19 461**	10 949	**19 461**	10 949
	82 365	73 690	**80 580**	72 203
Accumulated amortisation and impairment				
Software development costs	**24 943**	18 332	**23 939**	17 765
Goodwill	**–**	–	**–**	–
	24 943	18 332	**23 939**	17 765
Carrying amount				
Software development costs	**37 961**	44 409	**37 180**	43 489
Goodwill	**19 461**	10 949	**19 461**	10 949
	57 422	55 358	**56 641**	54 438

3. Intangible assets and goodwill continued

R000	Software development cost	Goodwill	Total
Movements for the year			
Group – carrying amount			
Opening balance – 30 June 2018	47 437	7 241	54 678
Additions*	3 431	3 708	7 139
Amortisation	(6 473)	–	(6 473)
Gain on foreign exchange movement	14	–	14
Closing balance – 30 June 2019	44 409	10 949	55 358
Additions*	**58**	**8 512**	**8 570**
Amortisation	**(6 641)**	**–**	**(6 641)**
Gain on foreign exchange movement	**135**	**–**	**135**
Closing balance – 30 June 2020	**37 961**	**19 461**	**57 422**
Company – carrying amount			
Opening balance – 30 June 2018	46 295	7 241	53 536
Additions	3 363	3 708	7 071
Amortisation	(6 169)	–	(6 169)
Closing balance – 30 June 2019	43 489	10 949	54 438
Additions*	**–**	**8 512**	**8 512**
Amortisation	**(6 309)**	**–**	**(6 309)**
Closing balance – 30 June 2020	**37 180**	**19 461**	**56 641**

* *Additions include goodwill associated with the acquisition of five new units at Courtyard Hotels of R1.3 million. During the current year, the goodwill amount initially raised increased by R7.2 million, as a result of the change from Capital Gains Tax ('CGT') to corporation tax rate.*

For the purposes of impairment testing, goodwill has been allocated to the Courtyard Hotels (Gallic Courtyard (Rosebank) (Share Block) Ltd, and Gallic Courtyard (Sandown) (Share Block) Ltd)) and Fairview Hotel Ltd, acquired and assessed as a individual CGUs. The recoverable amount has been determined by the higher of fair value less cost to sell and the value-in-use calculation. The estimates and assumptions applied are consistent with those used in the impairment of property, plant and equipment and right-of-use assets calculation. Refer to note 1. No impairment loss was identified in the current and prior years.

Sensitivity analysis

The table below indicates the sensitivities of the aggregate impairment of the goodwill for the following changes to assumptions:

R000	Increase	Decrease
5% change in fair value less cost to sell values	1 932	(6 524)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

R000	Issued share capital	% held	COMPANY 2020	2019
4. Subsidiaries				
4.1 Interest in subsidiaries				
Shares at cost less accumulated impairment losses				
Anchor Park Investments 105 Proprietary Limited	R100	70	*	*
Budget Hotels Proprietary Limited	R100	100	**1 073**	1 073
City Lodge Hotels (Africa) Proprietary Limited	R100	100	*	*
City Lodge Hotels (Botswana) Proprietary Limited	BWP1	100	*	*
CLHG Mozambique Lda^	MZN1 000 000	1	**3**	3
CLHG Tanzania Limited^	TZS100 000 000	0.1	*	*
Courtyard Management Company Proprietary Limited	R100	100	*	*
Fairview Hotel Limited, Kenya	KEs2 600 000	100	**383 465**	383 465
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	R1 518	100	**1**	1
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	R2 584	100	**3**	3
Gallic Courtyard (Rosebank) Share Block Limited	R3 816	100	**4**	4
Gallic Courtyard (Sandown) Share Block Limited	R3 067	100	**3**	3
Newshelf 892 (RF) Proprietary Limited#	R100			
Newshelf 935 (RF) Proprietary Limited#	R100			
Property Lodging Investments Proprietary Limited	R100	100	**2 000**	2 000
Vuwa Hotels (RF) Proprietary Limited#	R100			
			386 552	386 552

The company also has an indirect, 100% shareholding in City Lodge Holdings (Share Block) Proprietary Limited and City Lodge Hotels (Namibia) Proprietary Limited.

* *Less than R1 000.*
\# *City Lodge has guaranteed the funding of these BEE entities, resulting in their incorporation.*
^ *The majority shareholder is City Lodge Hotels (Africa) Proprietary Limited.*

4.2 Loan to subsidiary		
Property Lodging Investments Proprietary Limited	**62 800**	62 800
The loan is unsecured, bears interest at 12% per annum (2019: 12%) and is repayable on demand on or before 31 July 2023. There is, however, no intention to request repayment during the next 12 months.		
Amounts included in other receivables and payables		
Amounts due by subsidiaries	**43 934**	27 470
Amounts due to subsidiaries	**(137 617)**	(125 145)
These amounts are unsecured, interest-free and repayable on demand.		
5. Loan receivable		
City Lodge 10th anniversary employees' share trust	**12 020**	34 000
Fairview Hotel Limited	**28 000**	35 000
	40 020	69 000

The City Lodge 10th anniversary employees' share trust loan is secured by the pledge of 506 124 (2019: 506 124) shares in City Lodge Hotels Limited having a market value of R12 020 445 (2019: R51 983 996), is interest-free and is repayable upon demand by the trust at any time after the expiry of 20 years from the date of adoption of the scheme, being 18 December 1995, or in the event of the share price falling below R34.00 per share. There is, however, no intention to request repayment during the next 12 months.

In line with the requirements of IFRS 10 *Consolidated Financial Statements*, the City Lodge 10th anniversary employees' share trust has been consolidated in the current and prior year.

The loan amount is measured at amortised cost. The future value and nominal recoverable amount of the loan is R12 million.

The Fairview Hotel Limited loan is unsecured, bears interest at a rate of JIBAR plus 245 basis points, and is repayable by no later than 31 December 2028. There is, however, no intention to request repayment during the next 12 months.

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
6. Deferred taxation				
Movement in deferred taxation assets				
Balance at beginning of the year	**22 713**	12 410		
Charged to profit and loss	**41 139**	11 410		
Reclassification from deferred taxation liability*	**(10 744)**	(1 680)		
Foreign exchange movement	**3 320**	573		
Balance at end of year	**56 428**	22 713		
Analysis of deferred taxation assets				
Capital allowances	**4 269**	(6 574)		
Deductible accruals	**818**	102		
Net lease liability	**32 608**	–		
Operating lease accrual	**–**	5 179		
Prepayments	**(46)**	(3)		
Tax loss	**40 921**	24 793		
Unrealised foreign exchange gain	**(22 142)**	(784)		
	56 428	22 713		
Movement in deferred taxation liabilities				
Balance at beginning of the year	**197 812**	175 147	**173 028**	155 614
Charged to profit and loss	**(61 652)**	21 481	**(61 670)**	14 450
Acquisition through business combinations	**1 176**	2 964	**1 176**	2 964
Effect of change in CGT inclusion rate recognised on goodwill	**7 446**	–	**7 446**	–
Reclassification from deferred taxation asset*	**(10 744)**	(1 680)		
Foreign exchange movement	**–**	(100)		
Balance at end of year	**134 038**	197 812	**119 980**	173 028
Analysis of deferred taxation liabilities				
Capital allowances	**233 144**	293 271	**219 086**	207 642
Income received in advance	**(3 097)**	(5 563)	**(3 097)**	(5 563)
Operating lease accrual	**–**	(16 270)	**–**	(16 270)
Net lease liability	**(82 039)**	–	**(82 039)**	
Prepayments	**582**	896	**582**	896
Share options	**(2 860)**	(2 609)	**(2 860)**	(2 609)
Tax loss	**(3 125)**	(55 773)	**(3 125)**	
Non-deductible accruals	**(8 567)**	(16 156)	**(8 567)**	(11 068)
Unrealised foreign exchange gain	**–**	16		
	134 038	197 812	**119 980**	173 028

** The reclassification from deferred tax assets/deferred tax liabilities are as a result of the net deferred tax position of respective subsidiaries that has changed, when compared to the prior year, due to the movement in temporary differences.*

The expected manner of recovery of the deferred tax asset and settlement of the liability will be through use.

The tax rate used to calculate the deferred tax balance is:

- South Africa – 28% (2019: 28%)
- Botswana – 22% (2019: 22%)
- Kenya – 25% (2019: 30%)
- Namibia – 32% (2019: 32%)
- Tanzania – 30% (2019: 30%)

Subsidiaries in Namibia and Tanzania have incurred losses in the current period as well as in prior years. The deferred taxation assets recognised for taxable losses incurred has been impaired in the current period. Previously, the directors view has been that a new hotel takes a few of years to establish itself before generating good returns. However, due to the impact of the COVID-19 pandemic on short to medium-term forecasts, the directors have assumed that it will take longer than historically for these hotels to make the required returns to utilise the deferred taxation assets. Therefore, impairment of deferred taxation assets has been recognised in Namibia and Tanzania, of R17.2 million and R29.8 million, respectively.

The remaining R56.4 million deferred taxation assets are considered recoverable as they relate to timing differences between asset depreciation and impairments, and wear and tear allowances and IFRS 16 *Leases* timing differences between depreciation and interest, and lease payment deductions, and will be utilised against future taxable profits.

The tax loss is attributable to the foreign operations in Kenya, mainly attributable to investment allowances on the construction of City Lodge Hotel Two Rivers. Management has recognised a tax loss as it is considered probable that future profits will be available against which such losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
R000	2020	2019	2020	2019
7. Inventories				
Food, liquor and beverages	**5 540**	7 978	**2 601**	4 103
There was no write-off of inventories during the year (2019: nil).				
8. Other receivables				
Loans due from related parties (refer to note 31)			**43 934**	27 470
Prepayments	**7 617**	11 254	**6 560**	9 717
Sundry receivables	**23 095**	20 288	**15 932**	17 161
Enterprise development loans	**7 400**	6 926	**7 400**	6 926
Asset replacement reserve	**17 809**	15 247	**17 809**	15 247
Value added tax (VAT) refundable	**81 681**	74 753	**–**	–
	137 602	128 468	**91 635**	76 521

	GROUP	
R000	2020	2019
9. Other investments		
Balance at beginning of the year	**19 650**	26 185
Impairment loss reversal	**–**	13 433
Deposit repaid by SBM Bank transferred to cash and cash equivalents	**(6 577)**	(20 398)
Effect of movement in exchange rates	**2 727**	430
Balance at end of the year	**15 800**	19 650
Other investments recognised in statement of financial position are analysed as:		
Non-current portion	**7 900**	13 073
Current portion	**7 900**	6 577
	15 800	19 650

Other investments comprise bank balances of KES142.8 million previously held with Chase Bank Limited (CBL) (in receivership). The bank was put under receivership on 7 April 2016 by the Central Bank of Kenya (CBK) and was reopened on 27 April 2016 under a receiver manager.

Owing to the uncertainty in the timing and amount of funds to be recovered, the group deemed it prudent to provide for an initial impairment of 50% of the total balance held by CBL.

On 17 April 2018, the CBK announced that SBM Bank (Kenya) (SBM) would be acquiring 75% of the assets and assuming 75% of the liabilities of CBL. Once this transaction was concluded, depositors would receive access to transferred funds previously held in CBL, in a structured manner. Half of the balances transferred to SBM were made available on 18 August 2018, with the remaining portion being placed into interest-bearing fixed deposits to be accessed annually, over a period of 36 months. The first tranche was received in August 2019 with the balance due in August 2020 and August 2021. The directors decided to reverse the portion of the impairment loss previously recognised for the deposits acquired by SBM. The 25% of deposits which remained in CBL, are fully impaired, and will be reassessed in line with any further information provided by CBK in future.

	GROUP		COMPANY	
R000	2020	2019	2020	2019
10. Share capital and premium				
Share capital				
Authorised				
50 000 000 ordinary shares of 10 cents each	**5 000**	5 000	**5 000**	5 000
Issued and fully paid				
43 573 893 (2019: 43 573 893) ordinary shares of 10 cents each	**4 357**	4 357	**4 357**	4 357
Share premium	**175 146**	175 146	**175 146**	175 146
	179 503	179 503	**179 503**	179 503

All shares rank equally with regard to the company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
11. Other reserves				
Share-based payment reserve	**86 321**	85 621	**86 321**	85 621
Balance at beginning of year	**85 621**	83 714	**85 621**	83 714
Expense for the year – share incentive scheme (refer to note 20)	**7 273**	8 257	**7 273**	8 257
Reserve transferred to retained earnings on exercise of vested rights	**(6 573)**	(6 350)	**(6 573)**	(6 350)
The share-based payment reserve relates to the accumulated cost for the future settlement of obligations arising from the share incentive schemes.				
Equity component of BEE shareholder's loan	**26 941**	26 941	**26 941**	26 941
The equity component of the shareholder's loan relates to the equity contribution received from Vuwa Investments Proprietary Limited in respect of the BEE transaction concluded in July 2008.				
Foreign currency translation reserve	**77 249**	25 121		
Balance at beginning of year	**25 121**	27 518		
Foreign currency translation differences	**52 128**	(2 397)		
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.				
	190 511	137 683	**113 262**	112 562
12. Interest-bearing borrowings				
Secured bank loan				
The Loan A is a revolver facility of R250 million in total and bore interest at the one, three or six-month JIBAR plus 2.45 (2019: 2.45) percentage points, depending on the election made upon drawdown. In December 2019, the group refinanced the loan and replaced it with the R450 million Loan D revolver facility.	**–**	250 000		
The Loan B is a revolver facility of R200 million in total and bore interest at the one, three or six-month JIBAR plus 2.45 (2019: 2.45) percentage points, depending on the election made upon drawdown. In December 2019, the group refinanced the loan and replaced it with the R450 million Loan D revolver facility.	**–**	200 000		
The Loan C is a revolver facility of R300 million in total and bears interest at the one, three or six-month JIBAR plus 2.10 percentage points, depending on the election made upon drawdown. Outstanding loan capital is repayable by 31 August 2023.	**300 000**	210 000		
The Loan D is a revolver facility of R450 million in total and bears interest at the three-month JIBAR plus 2.10 percentage points. Outstanding loan capital is repayable by 31 December 2022.	**450 000**	–		
Interest repayments are made according to the interest selected on drawdown notice.				
The loan facility has been granted to City Lodge Hotels (Africa) Proprietary Limited.				
The loans are secured over land and buildings with a carrying amount of R162.0 million (2019: R164.9 million), and has been guaranteed by City Lodge Hotels Limited.				
The required bank covenants have been waived for June 2020 and December 2020.				
	750 000	660 000	**–**	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

12. Interest-bearing borrowings continued

The movement in interest-bearing borrowings during the year is as follows:

	GROUP		COMPANY	
R000	**2020**	**2019**	**2020**	**2019**
Balance at beginning of year	**660 000**	450 000	**–**	30 000
Borrowings raised	**90 000**	210 000	**–**	–
Borrowings repaid	**–**	–	**–**	(30 000)
Interest charged	**59 825**	52 872	**–**	3 662
Interest paid	**(63 915)**	(51 293)	**–**	(3 662)
	745 910	661 579	**–**	–
Balance of beginning of year – interest received	**5 488**	3 909		
Interest accrued included in sundry accruals (refer to note 18)	**(1 398)**	(5 488)		
Balance at end of year	**750 000**	660 000	**–**	–

13. BEE interest-bearing borrowings

The loans are secured by a guarantee provided by City Lodge Hotels Limited. The loans bear interest at the six-month JIBAR rate plus 2.1 percentage points (2019: 2.5 percentage points). Interest repayments are made every six months in arrears. The loan capital is repayable by 31 January 2021.	**44 120**	44 120	**44 120**	44 120
	44 120	44 120	**44 120**	44 120
Less: Amounts to be repaid within one year	**(44 120)**	–	**(44 120)**	–
Non-current liabilities	**–**	44 120	**–**	44 120
The movement in BEE interest-bearing borrowings during the year is as follows:				
Balance at beginning of year	**44 120**	44 120	**44 120**	44 120
Interest charged	**4 060**	4 187	**4 060**	4 187
Interest paid	**(4 034)**	(4 408)	**(4 034)**	(4 408)
	44 146	43 899	**44 146**	43 899
Balance at beginning of year – interest accrued	**879**	1 100	**879**	1 100
Interest accrued included in sundry accruals (refer to note 18)	**(905)**	(879)	**(905)**	(879)
Balance at end of year	**44 120**	44 120	**44 120**	44 120

14. BEE preference shares

Proceeds from the issue of redeemable preference shares	**440 700**	440 700	**440 700**	440 700
Redeemed during prior years	**(85 700)**	(73 100)	**(85 700)**	(73 100)
Redeemed during current year	**(5 700)**	(12 600)	**(5 700)**	(12 600)
	349 300	355 000	**349 300**	355 000
Less: Amounts to be repaid within one year	**(349 300)**	–	**(349 300)**	–
Non-current liabilities	**–**	355 000	**–**	355 000

On 8 July 2008, the City Lodge group effected a BEE scheme with Vuwa Hotels (RF) Proprietary Limited, Newshelf 935 (RF) Proprietary Limited and Newshelf 892 (RF) Proprietary Limited. In terms of the scheme, 15% (6 390 365 shares) of the then issued share capital of City Lodge was acquired by the three structured entities in terms of a scheme of arrangement. A and B cumulative redeemable preference shares were issued by the structured entities to fund a portion of the purchase price of the investment in City Lodge Hotels Limited. These have been guaranteed by City Lodge resulting in the deemed control of the structured entities by the company and their consolidation for accounting purposes. Standard Bank of South Africa subscribed for R195.0 million amortising, seven-year A preference shares bearing interest at 74% of the prime interest rate and R245.7 million cumulative zero coupon five-year B preference shares bearing interest at 75% of the prime interest rate. The final redemption date has been extended to no later than 31 January 2021. Ordinary dividends received by the structured entities must be used to service and repay the preference shares. The lock-in period applicable to the disposal of shares held by Vuwa Hotels (RF) Proprietary Limited was 31 December 2017, whereby shares may only be disposed of to black persons. The fair value of the shares held, included as treasury shares carried at cost in the consolidated financial statements of the group, amounts to R151.8 million on 30 June 2020.

14. BEE preference shares continued

A once-off, share-based, equity-settled option expense was recognised during the 2009 financial year amounting to R25.84 million.

An amount of R357.9 million (2019: R317.8 million) was accrued in respect of preference dividends payable as at 30 June 2020. Of this, R1.5 million (2019: R2.1 million) in respect of A preference shares is included under trade and other payables (refer to note 18) and R356.4 million (2019: R315.6 million) in respect of B preference shares are payable by 31 January 2021.

	GROUP		COMPANY	
R000	**2020**	**2019**	**2020**	**2019**
Voluntary redemption of A and B preference shares may be made, with full redemption of the preference shares required by 31 January 2021. The minimum scheduled redemptions in respect of A and B preference shares are as follows:				
– not later than one year	**349 300**	–	**349 300**	–
– between one and five years	**–**	355 000	**–**	355 000

15. BEE shareholder's loan

Vuwa Investments Proprietary Limited

Loan granted	**50 000**	50 000	**50 000**	50 000
Equity component of BEE shareholder's loan	**(37 418)**	(37 418)	**(37 418)**	(37 418)
Notional interest expense – prior years	**37 418**	37 418	**37 418**	37 418

The BEE shareholder's loan represents the equity contribution by Vuwa Investments Proprietary Limited to the Vuwa structured entity as part funding to purchase shares in City Lodge Hotels Limited.

The loan is measured at amortised cost of R50.0 million (2019: R50.0 million). The notional debit to interest expense at a rate of 14.35% per annum was nil (2019: Rnil). The future value of the loan is R50 million.

The loan is unsecured, bore notional interest at 14.35%, and is repayable on demand after 31 December 2017, subject to the settlement of the BEE preference shares.

	50 000	50 000	**50 000**	50 000
BEE shareholder's loan recognised in the statement of financial position is analysed as:				
Non-current portion	**–**	50 000	**–**	50 000
Current portion	**50 000**	–	**50 000**	–
Total	**50 000**	50 000	**50 000**	50 000

16. Lease liabilities

Recognition of adoption of IFRS 16 *Leases* (1 July 2019)	**1 389 607**		**1 181 551**	
Interest costs	**117 214**		**97 908**	
Lease payments	**(132 219)**		**(111 689)**	
Gain on foreign exchange movement	**13 838**			
Closing balance – 30 June 2020	**1 388 440**		**1 167 770**	
Lease liabilities recognised in the statement of financial position are analysed as:				
Non-current portion	**1 376 063**		**1 156 924**	
Current portion	**12 377**		**10 846**	
	1 388 440		**1 167 770**	
Total cash flows in respect of leases				
Principal portion of the lease liability	**15 005**		**13 781**	
Interest portion of the lease liability	**117 214**		**97 908**	
	132 219		**111 689**	

Associated right-of-use assets are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
R000	2020	2019	2020	2019
17. Other non-current liabilities				
Operating lease accrual	–	78 899	–	58 106
18. Trade and other payables				
Trade payables	**16 967**	34 219	**8 383**	11 578
Loans due to related parties (refer to note 31)			**137 617**	125 145
Accruals	**117 741**	111 302	**96 714**	87 172
Other trade payables	**34 130**	69 922	**26 622**	59 164
BEE preference dividend payable	**1 498**	2 149	**1 498**	2 149
	170 336	217 592	**270 834**	285 208
19. Revenue from contracts with customers				
The group derives revenue at a point in time, together with its customer reward programme which are recognised as they are redeemed or expire. The group has no contract assets.				
Disaggregation of revenue from contracts with customers for the year under review at a point in time:				
Accommodation	**990 556**	1 341 538	**911 111**	1 234 180
Food and beverage	**154 316**	200 666	**127 108**	164 194
Other revenue	**14 411**	5 780	**9 129**	5 780
	1 159 283	1 547 984	**1 047 348**	1 404 154
Primary geographical markets				
South Africa	**1 047 348**	1 404 154	**1 047 348**	1 404 154
Rest of Africa	**111 935**	143 830		
	1 159 283	1 547 984	**1 047 348**	1 404 154

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
20. Results from operating activities				
Results from operating activities are arrived at after charging/(crediting)				
Auditors' remuneration	**5 722**	5 439	**3 523**	3 708
Audit fees	**4 446**	3 868	**2 659**	2 703
Fees for other services	**1 276**	1 571	**864**	1 005
BEE transaction charges	**288**	352	**288**	352
Defined-contribution plan expense	**28 750**	30 305	**28 750**	30 305
Depreciation and amortisation	**131 156**	117 471	**101 717**	99 611
– buildings	**57 774**	49 724	**45 385**	42 245
– furniture and equipment	**66 741**	61 274	**50 023**	51 197
– computer software	**6 641**	6 473	**6 309**	6 169
Depreciation – right-of-use assets	**92 302**	–	**80 806**	–
Liquor and beverages	**57 235**	71 484	**45 858**	55 971
Impairment loss reversal on other investments (refer to note 9)	**–**	(13 433)	**–**	–
Impairment loss on loan receivable			**21 980**	–
Impairment loss on property plant and equipment (refer to note 1)	**245 464**	–	**29 492**	–
– buildings	**222 853**	–	**25 808**	–
– furniture and equipment	**22 611**	–	**3 684**	–
Impairment loss on right-of-use assets (refer to note 2)	**242 889**	–	**167 864**	–
Operating lease rentals (pre IFRS 16 *Leases* implementation)		120 605		133 162
– land	–	34 735	**–**	66 414
– hotel buildings	–	81 400	**–**	62 278
– office buildings	–	4 470	**–**	4 470
Short-term and variable lease payments	**5 793**	–	**33 047**	–
Pre-opening expenses	**11 163**	16 547	**2 424**	512
Profit on disposal of property, plant and equipment	**(6)**	(170)	**(6)**	(170)
Salaries, wages and related benefits	**385 251**	404 054	**338 677**	357 508
– employed	**343 418**	352 580	**298 316**	307 834
– subcontracted	**41 833**	51 474	**40 361**	49 674
Rent received	**(1 923)**	(2 467)	**(1 923)**	(2 467)
Share-based payment expense (refer to note 26)	**7 273**	8 257	**7 273**	8 257
– City Lodge 10th anniversary employees' share trust	**2 925**	4 148	**2 925**	4 148
– City Lodge bonus share plan	**3 453**	3 988	**3 453**	3 988
– City Lodge share appreciation rights scheme	**895**	121	**895**	121

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

21. Directors' emoluments

R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	Current year share-based payment expense*	Total
Executive directors							
2020							
A W Dooley (resigned 9 March 2020)	**1 778**	**–**	**21**	**181**	**1 980**	**–**	**1 980**
L G Siddo	**2 497**	**–**	**9**	**215**	**2 721**	**429**	**3 150**
D Nathoo (appointed 9 March 2020)[Δ]	**763**	**600**	**17**	**–**	**1 380**	**–**	**1 380**
A C Widegger	**5 054**	**–**	**32**	**641**	**5 727**	**978**	**6 705**
	10 092	**600**	**79**	**1 037**	**11 808**	**1 407**	**13 215**
2019							
A W Dooley	2 325	669	226	243	3 463	318	3 781
L G Siddo	2 301	505	8	241	3 055	85	3 140
A C Widegger	4 722	1 351	34	756	6 863	647	7 510
	9 348	2 525	268	1 240	13 381	1 050	14 431

* *This expense represents the IFRS 2 costs for the year of any option or right given or reversed (refer to note 26).*

[Δ] *Other bonus relates to signing on bonus on appointment.*

Executive directors are full-time salaried employees, engaged on the company's standard terms and conditions of employment.

Non-executive directors	Fees	
R000	**2020**	**2019**
G G Huysamer	**416**	381
F W J Kilbourn	**592**	555
S Marutlulle	**327**	247
N Medupe	**449**	445
S G Morris	**580**	544
B T Ngcuka (payment made to Vuwa Investments Proprietary Limited)	**1 007**	1 000
V M Rague	**303**	301
K I M Shongwe (resigned 7 November 2019)	**95**	380
	3 769	3 853

No other payments were made to directors.

21. Directors' emoluments continued

Share appreciation rights	Date of grant	Grant price (R)	Holding at 30 June 2019	Granted	Exercised/ forfeited	Holding at 30 June 2020	Lapse date	Number vesting at 30 June 2020
A C Widegger	01/09/2012	85.66	62 110	–	(62 110)	–	01/09/2019	–
	01/09/2013	120.83	26 136	–	–	26 136	01/09/2020	26 136
	01/09/2014	123.17	27 539	–	–	27 539	01/09/2021	27 539
	01/09/2016	164.33	23 633	–	(23 633)	–	01/09/2023	–
	01/09/2017	136.11	30 245	–	–	30 245	01/09/2024	–
	01/09/2018	138.89	45 360		–	45 360	01/09/2025	–
	01/09/2019	145.46		39 324	–	39 324	01/09/2026	–
A W Dooley*	01/09/2015	143.99	4 552	–	(4 552)	–	01/09/2022	–
	01/09/2016	164.33	4 268	–	(4 268)	–	01/09/2023	–
	01/09/2017	136.11	5 462	–	(5 462)	–	01/09/2024	–
	01/09/2018	138.89	18 720		(18 720)	–	01/09/2025	–
	01/09/2019	145.46	–	20 074	(20 074)	–	01/09/2026	
L G Siddo	01/09/2016	164.33	8 136	–	(8 136)	–	01/09/2023	–
	01/09/2017	136.11	5 535	–	–	5 535	01/09/2024	–
	01/09/2018	138.89	18 360		–	18 360	01/09/2025	–
	01/09/2019	145.46		19 696		19 696	01/09/2026	
			280 056	79 094	(146 955)	212 195		53 675

Restricted share plan – bonus shares	Date of award	Share acquisition price (R)	Holding at 30 June 2019	Granted	Vested	Lapsed/ forfeited	Holding at 30 June 2020	Vesting date
A C Widegger	05/09/2016	164.79	7 902	–	(7 902)	–	–	04/09/2019
	15/09/2017	141.34	4 882	–	–	–	4 882	14/09/2020
	14/09/2018	139.79	2 509	–	–	–	2 509	13/09/2021
	18/09/2019	93.74		7 204	–	–	7 204	17/09/2022
A W Dooley*	05/09/2016	164.79	1 085	–	(1 085)		–	04/09/2019
	15/09/2017	141.34	1 661	–		(1 661)	–	14/09/2020
	14/09/2018	139.79	1 392	–		(1 392)	–	13/09/2021
	18/09/2019	93.74		3 568		(3 568)	–	17/09/2022
L G Siddo	05/09/2016	164.79	595	–	(595)	–	–	04/09/2019
	15/09/2017	141.34	957	–	–	–	957	14/09/2020
	14/09/2018	139.79	693	–	–	–	693	13/09/2021
	18/09/2019	93.74		2 693	–	–	2 693	17/09/2022
			21 676	13 465	(9 582)	(6 621)	18 938	

No consideration was received by the company.

* *Resigned during the year.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
22. Interest				
22.1 Interest income				
Bank	**2 369**	1 812	**691**	1 475
Subsidiaries			**10 331**	10 688
Other	**545**	421	**545**	421
	2 914	2 233	**11 567**	12 584
22.2 Interest expense				
Long-term borrowings – bank	**63 885**	57 058	**4 922**	7 849
Lease liabilities	**117 214**	–	**97 908**	–
Short-term borrowings	**958**	14	**956**	13
Preference dividend	**48 369**	51 005	**48 369**	51 005
	230 426	108 077	**152 155**	58 867
Interest capitalised to property, plant and equipment	**(26 214)**	(48 235)	**–**	(3 662)
	204 212	59 842	**152 155**	55 205
Interest is capitalised to property, plant and equipment at 9.52% per annum.				
23. Taxation				
Current – current tax	**6 784**	91 460	**24**	83 114
Dividend withholding tax	**(76)**	(12)		
Deferred – current tax	**(147 362)**	10 071	**(61 670)**	14 450
Deferred – impairment of tax losses	**47 073**	–	**–**	–
Deferred – reduction in tax rate	**(2 502)**	–	**–**	–
	(96 083)	101 519	**(61 646)**	97 564
Reconciliation of taxation rate (%)				
Domestic statutory tax rate	**28**	28	**28**	28
Adjusted for:				
– BEE transactions	**(2.5)**	4.7	**(5.0)**	5.0
– deferred tax assets not recognised on assessed loss	**(10.5)**	–		
– effect of tax rates in foreign jurisdictions	**1.4**	(1.0)		
– expenses not in the production of income	**(0.2)**	1.1	**(0.3)**	0.4
– impairment of loan	**–**	–	**(2.0)**	–
– penalties	**–**	0.4	**–**	–
– rate change	**0.3**	–	**–**	–
– tax incentives	**–**	(0.1)	**–**	(0.1)
Effective rate of taxation	**16.5**	33.1	**20.7**	33.3
24. Dividends				
Number 61 of 137.0 cents per share (2019: 201.0 cents) declared on 14 August 2019 and paid on 9 September 2019	**59 696**	87 584	**59 696**	87 584
Number 62 of 153.0 cents per share (2019: 229.0 cents) declared on 19 February 2020 and paid on 16 March 2020	**66 668**	99 784	**66 668**	99 784
Dividends attributable to treasury shares	**(18 150)**	(27 268)	**(18 532)**	(27 329)
	108 214	160 100	**107 832**	160 039

Having regard to the impact of COVID-19 on the group's operations and the minimal revenue earned since the declaration of national state of disaster in South Africa on the 15 March 2020, the board has determined that no dividend shall be paid for the year ended 30 June 2020, and does not intend to pay dividends in the short-term. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
25. Commitments				
Capital				
Authorised				
– contracted	**66 438**	175 411	**53 337**	70 733
– not contracted	**60 959**	216 626	**52 354**	215 976
	127 397	392 037	**105 691**	286 709
Future capital expenditure will be financed out of funds generated from operations and external borrowings and it is anticipated that approximately R108.9 million will be spent by 30 June 2021.				
Guarantees				
Total guarantees provided to third parties on behalf of the company amounted to R960,000 which relates to contingent rent and deposits which were assessed not to be financial guarantee contracts. The directors do not believe any exposure to loss is likely.				
The issued guarantees have the following expiry dates:				
– not later than one year	**757**	11 692	**757**	11 692
– between one and five years	**–**	757	**–**	757
– later than five years	**203**	203	**203**	203

26. Employee benefits

Retirement benefit information

The group and company provide retirement benefits to the group's permanent employees through a defined-contribution fund. Company contributions to this fund are fixed at a rate of 10.5% (16% for members who transferred from the historic defined-benefit fund) of pensionable salaries and 64.45% (2019: 59.17%) of the group's permanent employees are members. Employees who are not members of the above funds are members of the appropriate industry fund.

Medical aid

Certain of the group's employees are members of the Discovery Health Medical Scheme. There are no obligations for post-retirement medical aid contributions.

Share-based payments

Equity-settled share appreciation right scheme

The group plan provides for a grant price equal to the 10-day volume weighted average market price of the group's shares on grant date. The vesting period is generally three to five years. The vesting of the share appreciation right (SAR) is subject to the achievement of specified performance conditions. The performance conditions are that the normalised headline earnings per share (HEPS) should increase by between the CPI per annum and 2 percentage points per annum above CPI over a three-year performance period. 25% of the SAR will vest if the former performance condition is satisfied and 100% of the SAR will vest if the latter is satisfied, with linear vesting between them. If the SARs remain unexercised after a period of seven years from grant, they expire. Furthermore, unexercised SARs are forfeited if the employee leaves the group before they expire. Fair value is measured using an American binomial valuation model. Expected volatilities are 90% based on short, medium and long-term historical volatilities, with cognisance taken of market conditions to explain the variance from historical data. No other features, other than disclosed, of the option grant was incorporated into the measurement of fair value. The share-based, equity-settled expense for the year ended 30 June 2020 in profit or loss is R894 909 (2019: R120 939).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	2020		2019	
	Number of SARs	Weighted average strike price (R)	Number of SARs	Weighted average strike price (R)
26. Employee benefits continued				
Share-based payments continued				
Outstanding at beginning of year	**458 805**	**129.83**	487 848	129.73
Granted during year	**228 606**	**91.28**	139 259	138.89
Forfeited during year	**(176 723)**	**141.31**	(141 552)	146.73
Exercised during year	**(68 110)**	**85.66**	(26 750)	85.66
Outstanding at end of year	**442 578**	**112.13**	458 805	129.83
Exercisable at end of year	**113 507**	**122.03**	181 617	108.39

	2020	2019
Average remaining life (years)	**3.00**	3.74
American binomial model inputs as follows:		
Volatility (%)	**27**	28
Risk-free rate (%)	**7.10**	8.24
Dividend yield (%)	**3.45**	2.63
Expected life (years)	**7**	7
Strike price (Rand)	**91.28**	138.89
Average share price (Rand)	**91.28**	138.89
Option price (Rand)	**27.46**	50.46

Equity-settled 10th anniversary employee share trust

The group plan provides for an annual share distribution equal to half of the financial year's capital growth, if any, of the portfolio of City Lodge shares held by the trust. The distributions to eligible employees (employees in the service of the group for at least one year) are equity-settled three months after year-end, provided that the portfolio's market value at year-end exceeds the market value at the previous year-end. Entitlements are forfeited if the employee leaves the group's service before a distribution takes place. The vesting period is one year. Expected volatility was determined by calculating the historical volatility of the group's share price over the previous two years. Fair value is measured using a European binomial valuation model. The share-based, equity-settled expense for the year ended 30 June 2020 in profit or loss is R2 925 414 (2019: R4 147 921).

	2020 Number of shares	2019 Number of shares
Outstanding at beginning of year	**506 124**	508 974
Distributed during year	**–**	(2 850)
Outstanding at end of year	**506 124**	506 124

	2020		2019	
	Per share	Total portfolio	Per share	Total portfolio
26. Employee benefits continued				
European binomial model inputs as follows:				
Volatility (%)	**26**	**26**	26	26
Risk-free rate (%)	**6.72**	**6.72**	7.07	7.07
Dividend yield (%)	**3.34**	**3.34**	2.70	2.70
Expected life (years)	**1**	**1**	1	1
Effective strike price (Rand)	**102.71**	**51 984 304**	142.62	72 182 693
Share price (Rand)	**102.71**	**51 984 304**	141.82	71 778 931
Effective option price (Rand)	**5.78**	**2 925 414**	8.20	4 147 921

Equity-settled restricted share plan

Certain employees will become owners of ordinary shares, which were acquired on the market, for award. From the grant date, they will immediately benefit from dividends and have shareholder voting rights, thus providing direct alignment between participants and shareholders. The employee will give no consideration for the grant or settlement of an award. In the case of resignation or dismissal, all unvested awards will be forfeited. The vesting period is generally three years. The share-based, equity-settled expense for the year ended 30 June 2020 in profit or loss is R3 452 355 (2019: R3 987 953).

	2020		2019	
	Number of shares granted	Weighted average share price (R)	Number of SARs	Weighted average share price (R)
Unvested at beginning of year	**76 269**	**148.90**	127 120	151.74
Granted during year	**33 847**	**93.74**	23 185	139.79
Forfeited during year	**(7 474)**	**125.21**	(20 467)	148.90
Vested during year	**(31 613)**	**164.79**	(53 569)	148.31
Unvested at end of year	**71 029**	**125.21**	76 269	148.90

27. Borrowing powers

The borrowings of the company are not limited by its memorandum of incorporation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
R000	2020	2019	2020	2019
28. Notes to the statements of cash flows				
28.1 Cash generated by operations				
(Loss)/profit before taxation	**(582 715)**	306 975	**(298 254)**	293 277
Adjusted for:				
– depreciation and amortisation	**131 156**	117 471	**101 717**	99 611
– depreciation – right-of-use-asset	**92 302**	–	**80 806**	–
– movement in operating lease accrual	**–**	(7 376)	**–**	(13 098)
– impairment loss on loan receivable			**21 980**	–
– impairment loss on property, plant and equipment	**245 464**	–	**29 492**	–
– impairment loss on right-of-use assets	**242 889**	–	**167 864**	–
– interest income	**(2 914)**	(2 233)	**(11 567)**	(12 584)
– interest expense	**86 998**	59 842	**54 247**	55 205
– interest expense – leases	**117 214**	–	**97 908**	–
– profit on disposal of property, plant and equipment	**(6)**	(170)	**(6)**	(170)
– reversal of impairment of other investment	**–**	(13 433)		
– share-based payment expense	**7 273**	8 257	**7 273**	8 257
– unrealised foreign currency gain	**(73 895)**	(7 590)		
– other non-cash items	**238**	(264)	**238**	(264)
Operating cash flows before working capital changes	**264 004**	461 479	**251 698**	430 234
Decrease/(increase) in inventories	**2 438**	(680)	**1 502**	(202)
Decrease/(increase) in trade and other receivables	**49 358**	(3 203)	**36 784**	(14 956)
(Decrease)/increase in trade and other payables	**(42 542)**	35 171	**(13 750)**	43 645
	273 258	492 767	**276 234**	458 721
28.2 Taxation paid				
Balance overpaid at beginning of year	**11 935**	8 282	**6 602**	4 080
Taxation payable per statements of comprehensive income	**(6 708)**	(91 448)	**(24)**	(83 114)
Balance overpaid at end of year	**(42 756)**	(11 935)	**(36 881)**	(6 602)
	(37 529)	(95 101)	**(30 303)**	(85 636)
28.3 Investment to maintain operations				
Additions to property, plant and equipment				
– land and buildings	**(738)**	(15 780)	**(168)**	(15 780)
– furniture and equipment	**(52 953)**	(52 574)	**(51 422)**	(51 465)
– computer software	**(58)**	(3 431)	**–**	(3 363)
	(53 749)	(71 785)	**(51 590)**	(70 608)
Less: Proceeds on disposal				
Furniture and equipment	**142**	212	**142**	212
	(53 607)	(71 573)	**(51 448)**	(70 396)
28.4 Investment to expand operations				
Additions to property, plant and equipment				
– land and buildings	**(32 883)**	(294 427)	**(20 157)**	(104 459)
– acquisition through business combination	**(5 827)**	(18 604)	**(5 827)**	(18 604)
– furniture and equipment	**(10 325)**	(22 315)	**(10 325)**	(4 470)
	(49 035)	(335 346)	**(36 309)**	(127 533)
28.5 Investments and loans				
Increase in investments	**–**	(600)	**–**	(600)
Decrease/(increase) in loans	**–**	–	**7 000**	(4 000)
	–	(600)	**7 000**	(4 600)

R000	GROUP 2020	2019
29. Headline earnings		
Headline earnings reconciliation		
(Loss)/profit for the year	**(486 632)**	205 456
Profit on sale of property, plant and equipment	**(6)**	(170)
Impairment of property, plant and equipment and right-of-use assets	**488 353**	–
Taxation effect	**(143 797)**	48
Headline earnings	**(142 082)**	205 334
Number of shares in issue (000's)	**36 677**	36 677
Weighted average number of shares in issue for EPS calculation (000's)	**36 606**	36 555
Weighted average number of shares in issue for diluted EPS calculation (000's)	**36 606**	36 642
Headline earnings per share (cents)		
– undiluted	**(388.1)**	561.7
– fully diluted	**(388.1)**	560.4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	GROUP		COMPANY	
R000	2020	2019	2020	2019
30. Financial instruments				
30.1 Classes of financial instruments				
Financial assets				
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loan receivable		–	**40 020**	69 000
Trade receivables	**18 877**	77 369	**18 733**	70 631
Other receivables	**48 304**	42 461	**85 075**	66 804
Other investments	**15 800**	19 650	**–**	–
Cash and cash equivalents	**28 413**	71 046	**–**	12 649
Non-derivative financial liabilities				
Interest-bearing borrowings	**(750 000)**	(660 000)	**–**	–
BEE interest-bearing borrowings	**(44 120)**	(44 120)	**(44 120)**	(44 120)
BEE preference shares	**(349 300)**	(355 000)	**(349 300)**	(355 000)
BEE shareholder's loan	**(50 000)**	(50 000)	**(50 000)**	(50 000)
BEE B preference share dividend accrual	**(356 416)**	(315 604)	**(356 416)**	(315 604)
Trade and other payables	**(170 336)**	(217 592)	**(270 834)**	(285 208)
Bank overdraft	**(47 438)**	–	**(52 831)**	–

The fair value of the financial assets and liabilities approximates their carrying amount at amortised cost.

30.2 Market risk – is the risk that changes in market rates such as interest rates, foreign exchange rates and equity prices will affect the group's income and value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(a) Interest rate risk – fluctuations in interest rates impact the value of short-term investments and financing activities, giving rise to the interest rate risk. The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the average medium term, risk-free rate over the period of the respective loan.

The group manages its interest rate risk by linking the rate to the three-month or six-month Johannesburg Interbank Agreed Rate (JIBAR) rate plus a margin ranging from 2.1% to 2.5% or the South African prime rate.

30. Financial instruments continued

30.2 Market risk continued

At 30 June 2020 borrowings are linked to the various rates, the carrying amounts of which are as follows:

R000	2020	2019	2020	2019
Linked to three-month JIBAR	**750 000**	660 000		
Linked to six-month JIBAR	**44 120**	44 120	**44 120**	44 120
Linked to South African prime rate	**753 154**	670 604	**758 547**	670 604
	1 547 274	1 374 724	**802 667**	714 724

At 30 June 2020 financial assets are linked to the various rates, the carrying amounts of which are as follows:

R000	2020	2019	2020	2019
Linked to three-month JIBAR			**28 000**	35 000
Linked to South African prime rate	**44 213**	90 696	**–**	12 649
	44 213	90 696	**28 000**	47 649
The interest rate profile of the group's interest-bearing financial instruments was:				
Variable rate instruments				
Financial assets	**442**	91	**28**	48
Financial liabilities	**15 473**	13 747	**8 027**	7 147

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/(decreased) profit or loss by the amount shown above. This analysis assumes that all other variables remain constant.

(b) Currency risk

Currency risk related to investments in foreign entities

The group has interest in entities which operate in various countries. A significant portion of the group's foreign revenue is earned in countries which have stable currencies. It is not the group's policy to hedge investments in foreign subsidiaries.

Currency risk related to foreign transactions

Each group entity operates predominantly within its own common monetary area and therefore the group has no significant currency risk with regards to operational activities. At year-end, all group entities had no foreign currency trade receivables or payables. It is not the group's policy to hedge transactions which are denominated in a currency other than the entities' functional currency, which mainly occurs with purchases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

30. Financial instruments continued

30.2 Market risk continued

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

	Carrying amount	Contractual undiscounted cash flows	Less than one year	Between one and five years	Later than five years
GROUP					
At 30 June 2020					
Non-derivative financial liabilities					
Interest-bearing borrowings	**750 000**	**840 540**	**32 833**	**807 707**	**–**
BEE interest-bearing borrowings	**44 120**	**47 141**	**47 141**	**–**	**–**
BEE preference shares	**349 300**	**349 300**	**349 300**	**–**	**–**
BEE shareholder's loan	**50 000**	**50 000**	**50 000**	**–**	**–**
BEE B preference share dividend accrual	**356 416**	**375 967**	**375 967**	**–**	**–**
Lease liabilities	**1 388 440**	**3 151 826**	**138 631**	**634 361**	**2 378 834**
Bank overdraft	**47 438**	**47 438**	**47 438**	**–**	**–**
Trade payables	**170 336**	**170 336**	**170 336**	**–**	**–**
	3 156 050	**5 032 548**	**1 211 646**	**1 442 068**	**2 378 834**
At 30 June 2019					
Non-derivative financial liabilities					
Borrowings	660 000	784 289	62 156	722 133	–
BEE interest-bearing borrowings	44 120	51 020	4 347	46 673	–
BEE preference shares	355 000	369 575	6 597	362 978	–
BEE shareholder's loan	50 000	50 000	50 000	–	–
BEE B preference share dividend accrual	315 604	388 421	–	388 421	–
Trade payables	217 592	217 592	217 592	–	–
	1 642 316	1 860 897	340 692	1 520 205	–
COMPANY					
At 30 June 2020					
Non-derivative financial liabilities					
BEE interest-bearing borrowings	**44 120**	**47 141**	**47 141**	**–**	**–**
BEE preference shares	**349 300**	**349 300**	**349 300**	**–**	**–**
BEE shareholder's loan	**50 000**	**50 000**	**50 000**	**–**	**–**
BEE B preference share dividend accrual	**356 416**	**375 967**	**375 967**	**–**	**–**
Lease liabilities	**1 167 770**	**2 465 914**	**117 020**	**533 583**	**1 815 311**
Bank overdraft	**52 831**	**52 831**	**52 831**	**–**	**–**
Trade payables	**270 834**	**270 834**	**270 834**	**–**	**–**
	2 291 271	**3 611 987**	**1 263 093**	**533 583**	**1 815 311**
At 30 June 2019					
Non-derivative financial liabilities					
BEE interest-bearing borrowings	44 120	51 020	4 347	46 673	–
BEE preference shares	355 000	369 575	6 597	362 978	–
BEE shareholder's loan	50 000	50 000	50 000	–	–
BEE B preference share dividend accrual	315 604	388 421	–	388 421	–
Trade payables	285 208	285 208	285 208	–	–
	1 049 932	1 144 224	346 152	798 072	–

30. Financial instruments continued

30.3 Liquidity risk – is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the group ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. The group also has access to overdraft facilities, which may be used to meet its financial obligations if necessary.

The interest rate profile of the group is as follows:

	GROUP		COMPANY	
R000	**2020**	**2019**	**2020**	**2019**
Variable rate instruments				
Assets	**28 413**	71 046	**28 000**	47 649
Liabilities	**(1 547 274)**	(1 374 724)	**(802 667)**	(714 724)
Fixed rate instruments				
Assets			**62 800**	62 800
Liabilities	**(50 000)**	(50 000)	**(50 000)**	(50 000)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amount shown below. This analysis assumes that all other variables remain constant.

	GROUP		COMPANY	
R000	**2020**	**2019**	**2020**	**2019**
50 bps increase	**6 326**	6 405	**221**	249
50 bps decrease	**(6 308)**	(6 382)	**(221)**	(249)

30.4 Credit risk – credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all travel agents or customers requiring credit. The group applies the IFRS 9 simplified approach to measuring ECLs which utilises a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The group has established a provision matrix that is based on its historical credit losses experience and may be adjusted for specific forward looking factors affecting the ability of the customers to settle the receivables.

The receivables relate to corporates and travel agents with low credit risk. The group identifies specific credit loss allowances if these receivables are greater than 365 days.

No loss allowance has been raised on loans receivable from related parties, other receivables, other investments and cash and cash equivalents as no significant losses are expected on these balances as determined by an assessment of their probability of default. The probability of default of these items has been assessed as close to nil.

Reputable financial institutions are used for investing and cash-handling purposes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

30. Financial instruments continued

30.4 Credit risk continued

	GROUP		COMPANY	
R000	2020	2019	2020	2019
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loan receivable			**40 020**	69 000
Other receivables	**48 304**	42 461	**85 075**	66 804
Trade receivables	**18 877**	77 369	**18 733**	70 631
Other investments	**15 800**	19 650		
Cash and cash equivalents	**28 413**	71 046	**–**	12 649
	111 394	210 526	**206 628**	281 884
The carrying amount of trade receivables represents the maximum credit exposure at reporting date which was:				
Trade receivables				
Not past due	**12 539**	52 833	**12 418**	51 126
1 – 30 days past due	**35**	16 709	**40**	14 876
31 – 120 days past due	**6 303**	7 827	**6 275**	4 629
Gross	**13 928**	15 164	**11 875**	11 940
Expected credit loss allowance	**(7 625)**	(7 337)	**(5 600)**	(7 311)
	18 877	77 369	**18 733**	70 631
Trade receivables by type of customer				
Travel agents	**14 948**	62 063	**16 665**	60 512
Large corporates and companies	**3 929**	15 306	**2 068**	10 119
	18 877	77 369	**18 733**	70 631
Trade receivables by geographical region – South Africa	**18 733**	70 631	**18 733**	70 631
Trade receivables by geographical region – Kenya	**–**	4 951		
Trade receivables by geographical region – Botswana	**63**	964		
Trade receivables by geographical region – Namibia	**81**	591		
Trade receivables by geographical region – Tanzania	**–**	232		
	18 877	77 369	**18 733**	70 631

The loss allowance as at 30 June 2020 was determined as follows for trade receivables

R000	Current	30 to 60 days	60 to 90 days	More than 90 days	More than 120 days	Total
30 June 2020						
GROUP						
Expected loss rate (%)	**0.20**	**2.34**	**8.61**	**20.64**	**69.36**	**28.77**
Gross carrying amount – trade receivables	**12 538**	**35**	**80**	**4 132**	**9 717**	**26 502**
Lifetime ECLs	**25**	**1**	**7**	**852**	**6 740**	**7 625**
COMPANY						
Expected loss rate (%)	**0.18**	**2.34**	**8.46**	**20.54**	**61.57**	**23.01**
Gross carrying amount – trade receivables	**12 432**	**34**	**80**	**4 111**	**7 676**	**24 333**
Lifetime ECLs	**22**	**1**	**7**	**844**	**4 726**	**5 600**
30 June 2019						
GROUP						
Expected loss rate (%)	0.96	1.48	6.22	17.64	70.52	8.66
Gross carrying amount – trade receivables	52 833	16 709	4 901	1 811	8 452	84 706
Lifetime ECLs	504	248	305	319	5 961	7 337
COMPANY						
Expected loss rate (%)	0.92	1.43	5.99	17.01	84.37	9.38
Gross carrying amount – trade receivables	51 126	14 876	3 290	1 290	7 360	77 942
Lifetime ECLs	473	213	197	219	6 209	7 311

30. Financial instruments continued

30.4 Credit risk continued

	GROUP		COMPANY	
R000	2020	2019	2020	2019
The movement in the loss allowance in respect of trade receivables during the year was as follows:				
Balance at beginning of year	**7 337**	5 136	**7 311**	5 003
Loss allowance raised	**5 164**	2 198	**3 185**	2 308
Written off as irrecoverable	**(4 896)**	–	**(4 896)**	–
Foreign exchange movement	**20**	3	**–**	–
Balance at end of year	**7 625**	7 337	**5 600**	7 311

Trade receivables more than 90 days past due are considered for impairment taking into account history of default and subsequent payment. Amounts past due and not impaired are considered to be recoverable by management.

If the group is satisfied that no recovery of the amount owing is possible, the amount considered irrecoverable is written off against the financial asset directly.

The increase in the expected credit loss allowance is due to an increase in the loss allowance raised on specific customers in excess of 365 days.

30.5 Capital management – the group's objective when managing capital, which consists of ordinary shares, preference shares, retained earnings and other reserves, is to safeguard the group's ability to continue as a going concern and to provide acceptable returns for shareholders. The board of directors monitors the level of dividends to ordinary shareholders.

31. Related parties

31.1 Identity of related parties with whom material transactions have occurred

The company is the holding company of Anchor Park Investments 105 Proprietary Limited, Budget Hotels Proprietary Limited, City Lodge Hotels (Africa) Proprietary Limited, City Lodge Hotels (Botswana) Proprietary Limited, Courtyard Management Company Proprietary Limited, Fairview Hotel Limited, Gallic Courtyard (Arcadia) Share Block Proprietary Limited, Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited, Gallic Courtyard (Rosebank) Share Block Limited, Gallic Courtyard (Sandown) Share Block Limited and Property Lodging Investments Proprietary Limited.

Courtyard Management Company Proprietary Limited is the management company of the Courtyard Hotels.

Budget Hotels Proprietary Limited and Property Lodging Investments Proprietary Limited lease land to City Lodge Hotels Limited.

Interest-bearing loans exist between City Lodge Hotels Limited and Property Lodging Investments Proprietary Limited and City Lodge Hotels (Africa) Proprietary Limited.

All of the above entities are related parties to the company. Other than the directors' remuneration (refer to note 21) and information below, there are no other related parties with whom material transactions have taken place.

31.2 Types of related-party transactions

Management fees and operating lease rental payments have been made and interest has been received from/paid to certain related parties.

Other receivables and deposits do not contain significant credit risk and have low probability of default. No further disclosure is provided in this regard.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

31. Related parties continued

R000	COMPANY 2020	2019
31.3 Material related-party transactions		
Subsidiary companies		
Management fees paid to related parties		
Courtyard Management Company Proprietary Limited	**1 747**	2 467
Management fees received from related parties		
City Lodge Hotels (Botswana) Proprietary Limited	**907**	1 230
City Lodge Hotels (Namibia) Proprietary Limited	**576**	715
Lease payments paid to related parties		
Budget Hotels Proprietary Limited	**1 745**	2 216
Property Lodging Investments Proprietary Limited	**27 254**	33 034
	28 999	35 250
Interest received from related parties		
Fairview Hotel Limited	**2 795**	3 152
Property Lodging Investments Proprietary Limited	**7 536**	7 536
	10 331	10 688
Interest paid to related parties		
City Lodge Hotels (Africa) Proprietary Limited	**863**	3 662
Licence fees received from related parties		
Fairview Hotel Limited	**611**	744
31.4 Loan to subsidiaries		
Fairview Hotel Limited (refer to note 5)	**28 000**	35 000
Property Lodging Investments Proprietary Limited (refer to note 4.2)	**62 800**	62 800
31.5 Amounts due to subsidiary companies		
Budget Hotels Proprietary Limited	**17 230**	16 011
Property Lodging Investments Proprietary Limited	**104 742**	91 819
City Lodge Holdings (Share Block) Proprietary Limited	**4 065**	4 065
Courtyard Management Company Proprietary Limited	**11 569**	13 239
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	**1**	1
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	**3**	3
Gallic Courtyard (Rosebank) Share Block Limited	**4**	4
Gallic Courtyard (Sandown) Share Block Limited	**3**	3
	137 617	125 145
31.6 Amounts due by subsidiary companies		
City Lodge Hotels (Africa) Proprietary Limited	**43 595**	27 159
City Lodge Hotels (Botswana) Proprietary Limited	**339**	311
	43 934	27 470
The amounts due to and by subsidiary companies are unsecured, interest-free and repayable on demand. No loss allowance has been raised on these loans as the probability of default has been assessed as close to nil.		
31.7 Loan to employee share trust		
10th Anniversary employee share trust (refer to note 5)	**12 020**	34 000

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
31. Related parties continued				
31.8 Transactions with key management				
Key management, other than directors, is defined as first-line management of the company and its principal operations. First-line management largely constitutes operational executive management.				
Key management compensation is as follows (refer to note 21):				
– short-term employee benefits, including salaries and bonuses	**11 808**	13 381	**11 808**	13 381
– equity compensation benefits	**1 407**	1 050	**1 407**	1 050
	13 215	14 431	**13 215**	14 431

32. Contingent liabilities

The group has no significant contingent liabilities as at 30 June 2020.

33. Subsequent events

In response to the impact of COVID-19 on revenues and occupancy, the group has embarked on strict cost containment initiatives to reduce costs and preserve cash. These include:

- Capital expenditure has been suspended for of all non-essential and uncommitted spend.
- Rent relief – the group has obtained rent deferral (e.g. repayment over the remaining period of the lease) or other rental discounts, for the majority of the group's leased properties for three months mainly from April to June.
- Reduction in salaries – the group has implemented 50% salary reductions for all employees who, due to the nature of their work, are not able to work remotely, with effect from April 2020 for an initial period of three months, and extended by a further two months from July. Salaries were increased to 60% for September and October. The salary reductions are subject to ongoing reviews. To assist with limiting the effect of the reduction in employee earnings, the company is assisting with applications for the revised UIF benefits. In recognition of the challenging circumstances, the board and 14 members of the executive and senior management team, have agreed to forego 20% of their fees and salaries over the commensurate five-month period.
- Suspension of certain large key contracts for services now being performed in-house, e.g. room cleaning contract.
- Reduction in fixed service contracts due to reduced frequency of services e.g. lift maintenance, or lower demands for non-essential support services e.g. HR and IT service contracts.
- Culling of variable expenses until trading and occupancy levels return to pre-COVID-19 levels.

The group has successfully raised equity of R1.2 billion through a rights offer and issued an additional 566 460 609 shares, which was completed on 21 August 2020. The board intends to use the net proceeds of the rights offer to repay a substantial portion of amounts owing under its secured facilities, retain on deposit an amount equal to, and set aside for the settlement of, the company's guarantee of the BEE interest-bearing borrowings and the BEE preference shares and accrued dividends liability to settlement date, and to improve liquidity, including to ensure that the group is well positioned from a working capital perspective to fully resume operations as lockdown measures relating to the COVID-19 pandemic are lifted in its various countries of operation.

34. Liquidity and funding

The group has assessed and implemented, various liquidity and capital measures to help ensure that the group's business can withstand the prolonged industry recovery period due to COVID-19 and to meet the liquidity, working capital and expenses requirements, including (among others):

- The successful completion of a R1.2 billion rights offer.
- Securing an additional R200 million Loan E secured revolving credit facility from our lenders until the rights offer completed.
- Securing the waiver of the borrowing covenants for both the June 2020 and December 2020 measurement periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

35. Going concern

The continued downturn in the South African economy over the first nine months to March, further compounded by the significant impact of COVID-19 pandemic on the travel and the hospitality sector had a profound impact on the trading operations of the group, and the associated revenue streams, for the last three months of the 2020 financial year. The impact of COVID-19 will continue to have an adverse impact on the group's operations in the 2021 financial year. These pressures have adversely impacted the group's cash position and has triggered the recognition of impairment losses on the group's portfolio of hotels of R488.4 million, and deferred tax assets of R47.1 million.

The group has incurred a net loss for the year ended 30 June 2020 of R486.6 million (2019: profit of R205.5 million) primarily due to negligible revenues in the last quarter, impairment losses on property, plant and equipment and right-of-use assets of R488.4 million, and deferred tax assets of R47.1 million (2019: Rnil) and the recognition of IFRS 16 *Leases* interest expense and depreciation net of previously recognised lease expenses of R67.4 million, net of tax. As at 30 June 2020, the group has a net cash and cash equivalents overdraft of R19.0 million, and the current liabilities exceeded its current assets by R788.9 million relating primarily to financial commitments in respect of the BEE preference shares and accrued dividend liabilities and BEE interest-bearing borrowings amounting to R752.2 million which are due for repayment by 31 January 2021. The company also incurred a net loss for the year ended 30 June 2020 of R236.6 million (2019: profit of R195.7 million), and as at that date, its current liabilities exceeded current assets by R985.5 million.

The consolidated and separate financial statements for the year ended 30 June 2020 are prepared on the going concern basis. The directors recognise the going concern challenges and have addressed these through actions taken and being proposed by management to ensure sufficient liquidity to meet its obligations and to counteract the expected losses resulting from the impact of COVID-19 on the group's operations. These actions include:

- The COVID-19 cost containment initiative as detailed in note 33.
- Through continuous engagement and support from the group's lenders, an additional R200 million secured revolving credit facility has been made available to provide liquidity until the rights offer completed.
- The group has secured the waiver of the borrowing covenants for both the June 2020 and December 2020 measurement periods.
- The group has successfully raised equity of R1.2 billion through a rights offer, which was completed on 21 August 2020.
- In preparing the cash flow forecasts utilised to assess the going concern, the impact of the pandemic on the group's operations and liquidity was considered. The cash flow statements remain challenging in the short term, however, the longer-term outlook over the next five years remains positive.

36. New standards and interpretations effective for years ending after 30 June 2020

At the date of authorisation of these financial statements for the year ended 30 June 2020, the following standards and interpretations were in issue but has not been early adopted by the group:

Standard/interpretation	Effective date
Definition of a Business (Amendment to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

All standard listed above are applicable to the group and will be adopted on their effective dates. Management is of the view that the effects on disclosure would be minimal, and would result in some enhanced disclosure.

Definition of a Business (Amendment to IFRS 3)

The amendments give clarity on the definition of a business:

a) Confirmed that a business must include inputs and a process, and clarified that:
   - the process must be substantive
   - the inputs and process must together significantly contribute to creating outputs

b) Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs

c) Added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

- "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The board has also removed the definition of material omissions or misstatements from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Revised Conceptual Framework for Financial Reporting

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- a new chapter on measurement
- guidance on reporting financial performance
- improved definitions of an asset and a liability, and guidance supporting these definitions
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS by issuing Amendments to References to the conceptual Framework in IFRS. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS applies to a particular transaction.

These amendments are not expected to have a significant impact on the group.

SEGMENT ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2020

The segment information has been prepared in accordance with IFRS 8 *Operating Segments* which defines the requirements for the disclosure of financial information of an entity's operating segments.

The standard requires a 'management approach' whereby segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker/s who have been identified as the group's executive directors. These individuals review the group's internal reporting by hotel brand in order to assess performance and allocate resources. Depreciation for reportable segments is an asymmetrical expense as assets are not classified by segment. The depreciation charge for each reportable segment relates to furniture, fittings and equipment, while the majority of the charge for central office and other relates to hotel buildings. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

	City Lodge		Town Lodge		Road Lodge		Courtyard Hotel		Central office and other		Total	
R000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**600 159**	805 992	**171 107**	219 638	**224 906**	312 385	**51 176**	66 139	**111 935**	143 830	**1 159 283**	1 547 984
Results from operating activities	**239 069**	400 025	**32 935**	81 134	**73 467**	145 872	**1 148**	13 273	**(239 683)**	(275 720)	**106 936**	364 584
Depreciation and amortisation	**20 853**	24 999	**8 991**	7 538	**11 410**	10 438	**3 524**	4 072	**86 378**	70 424	**131 156**	117 471
Depreciation – right-of-use-asset	**–**	–	**–**	–	**–**	–	**–**	–	**92 302**	–	**92 302**	–
Adjusted EBITDA[a]	**259 922**	425 024	**41 926**	88 672	**84 877**	156 310	**4 672**	17 345	**(61 003)**	(205 296)	**330 394**	482 055
Land and hotel building rental[b]	**–**	–	**–**	–	**–**	–	**–**	–	**5 793**	116 135	**5 793**	116 135
Adjusted EBITDAR[c]	**259 922**	425 024	**41 926**	88 672	**84 877**	156 310	**4 672**	17 345	**(55 210)**	(89 161)	**336 187**	598 190

[a] *Adjusted EBITDA represents earnings after BEE transaction charges but before interest, taxation, depreciation and amortisation and impairment charges. Adjusted EBITDA and adjusted EBITDAR excludes amounts relating to impairments amounting to R488.4 million which are recorded in the central office and other segment.*

[b] *Land and hotel building rental primarily reflects turnover-based rentals post-implementation of IFRS 16 Leases. However, prior to adoption of IFRS 16 Leases, it included straight-lining of lease rentals from operating leases.*

[c] *Adjusted EBITDAR represents earnings after BEE transaction charges but before interest, taxation, depreciation and amortisation, impairment charges and rental.*

Geographical information

	South Africa		Rest of Africa		Total	
R000	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**1 047 348**	1 404 154	**111 935**	143 830	**1 159 283**	1 547 984
Non-current assets – property, plant and equipment	**1 398 885**	1 436 111	**1 110 867**	1 194 300	**2 509 752**	2 630 411
Non-current assets – right-of-use assets	**874 775**	–	**110 239**	–	**985 014**	–

SHAREHOLDERS' ANALYSIS

AS AT 30 JUNE 2020

Shareholder spread

Beneficial shareholders with holdings exceeding 1%	Number of shares owned	% of total issued shares
Enderle SA Proprietary Limited	3 816 479	8.76
Government Employees Pension Fund	3 287 352	7.54
Vuwa Investments Proprietary Limited	2 556 185	5.87
The Injabulo Staff Trust*	2 556 120	5.87
Ninety One	2 373 499	5.45
Allan Gray	2 216 917	5.09
Somerset Funds	1 466 166	3.36
University of Johannesburg School for Tourism and Hospitality	1 278 060	2.93
Oasis	1 150 487	2.64
Vanguard	1 110 971	2.55
Government of Norway	966 762	2.22
Nedbank Group	812 304	1.86
Aegon	754 039	1.73
Fidelity International	753 669	1.73
Long 18 Proprietary Limited	637 377	1.46
Metal & Engineering Industries Benefit Funds	567 333	1.30
Dimension Fund Advisors	555 901	1.28
Old Mutual Group	532 360	1.22
UBS (Custodian)	523 364	1.20
City Lodge Hotel Share Schemes	513 436	1.18
Total	28 428 781	65.24

* *Non-public, which in terms of the JSE Listings Requirements includes, inter alia, the directors of the company, the trustees of any employees' share scheme, employees of the issuer where a restriction is imposed on the trading of the listed securities and any person or entity that is interested in 10% or more of a particular class of securities.*

Fund managers with a holding greater than 2% of the issued shares	Number of shares	% of issued capital
Allan Gray	5 675 376	13.02
Ninety One	2 489 198	5.71
Public Investment Corporation	2 236 131	5.13
Oasis Crescent Management Company	1 950 829	4.48
Somerset Capital Management	1 466 166	3.36
Vanguard Investment Management	1 110 971	2.55
Total	14 928 671	34.25

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	10 472	87.90	1 203 575	2.75
1 001 – 10 000 shares	1 146	9.62	3 258 035	7.48
10 001 – 100 000 shares	227	1.91	7 454 583	17.11
100 001 – 1 000 000 shares	60	0.5	15 824 846	36.32
1 000 001 shares and above	8	0.07	15 832 854	36.34
Total	11 913	100.00	43 573 893	100.00

SHAREHOLDERS' ANALYSIS CONTINUED

AS AT 30 JUNE 2020

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	163	1.37	5 997 751	13.76
– Directors	4	0.03	265 423	0.60
– Other	159	1.34	5 732 328	13.16
Public shareholders	11 750	98.63	37 576 142	86.24
Total	11 913	100.00	43 573 893	100.00

* *Non-public, which in terms of the JSE Listings Requirements includes, inter alia, the directors of the company, the trustees of any employees' share scheme, employees of the issuer where a restriction is imposed on the trading of the listed securities and any person or entity that is interested in 10% or more of a particular class of securities.*

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	35 022 641	80.38
United States of America and Canada	2 596 759	5.96
United Kingdom	2 359 634	5.41
Rest of Europe	3 047 527	6.99
Rest of world	547 332	1.26
Total	43 573 893	100.0

Members' diary

Financial year-end	30 June
Annual general meeting	December

Reports

Announcement of results for the half-year	February
Announcement of annual results	September
Annual financial statements	November

Dividends

Declaration	Interim	February
	Final	N/A
Payment	Interim	March
	Final	N/A

NOTICE OF ANNUAL GENERAL MEETING

CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06
Share code: CLH ISIN: ZAE000117792
(the company)

Notice is hereby given that the thirty-fourth annual general meeting of shareholders of City Lodge Hotels Limited ("AGM") will be held electronically on Friday, 11 December 2020 at 10:00 for purposes of dealing with the following business and considering and, if deemed fit, passing with or without modification, the resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (Companies Act) and the JSE Listings Requirements.

IMPORTANT DATES, PROXIES AND VOTING

In terms of section 59(1)(a) the directors have determined the following record dates for the purposes of determining which City Lodge shareholders are entitled to receive notice, participate in and vote:

- receive notice of the annual general meeting (AGM): Friday, 6 November 2020
- last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 1 December 2020
- participate in and vote at the AGM: Friday, 4 December 2020

Last date for lodging forms of proxy with transfer secretary, Wednesday, 9 December 2020 (refer note 4 on page 170).

AGM to be held at 10:00 on Friday, 11 December 2020.

Results of the AGM will be announced on SENS on Friday, 11 December 2020.

In terms of section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents (ID), driver's licences and passports.

Shareholders who have not dematerialised their shares (certificated shareholders), or who have dematerialised their shares with 'own name' registration, and who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder. It is requested that proxy forms be forwarded so as to reach the transfer secretaries by no later than 48 (forty-eight) hours before the commencement of the AGM. If shareholders who have not dematerialised their shares, or who have dematerialised their shares with 'own name' registration, and who are entitled to attend, participate in and vote at the AGM, do not deliver the proxy forms to the transfer secretaries by the stipulated time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the transfer secretary at proxy@computershare.co.za.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

Voting will take place by way of a poll and accordingly every shareholder present or represented by proxy and entitled to vote, will have one vote in respect of each share held.

Note
To adopt:

- an ordinary resolution, it must be supported by more than 50% of the voting rights exercised on the resolution
- a special resolution, it must be supported by at least 75% of the voting rights exercised on the resolution.

ELECTRONIC PARTICIPATION

Electronic participation is permitted by the JSE, the Companies Act and the Company's memorandum of incorporation (MoI).

Shareholders wishing to participate electronically are required to:

1. register online using the online registration portal at www.smartagm.co.za by no later than 10:00 on Wednesday, 9 December 2020; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Wednesday, 9 December 2020. However, this will not in any way affect the rights of shareholders to register for electronic participation at the AGM after this date, provided, however, that only those shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the AGM, will be allowed to participate in and/or vote by electronic means. The electronic participation form can be found as an insert in this notice of AGM. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

For the electronic notice to be valid, it must contain the following details:
- if the shareholder is an individual, a certified copy of his/her ID and/or passport
- if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the IDs and/or passports of the persons who passed the relevant resolution. The resolution must provide the particulars of the person authorised to represent the relevant entity at the AGM via electronic communication
- valid email address.

The company will inform participants who notified Computershare of their intended participation in accordance with the notice of AGM, by no later than 10:00 on Thursday, 10 December 2020 by email of the relevant details through which Participants can participate electronically.

The cost (e.g. mobile data consumption or internet connectivity) of electronic participation in the AGM will be for the participant's account.

The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the company and its directors/employees/company secretary/transfer secretary/service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company or its directors/employees/company secretary/transfer secretary/service providers, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM, including but not limited to loss of network connectivity or other network failures due to insufficient airtime or data, internet connectivity, internet bandwidth and/or power outages.

City Lodge cannot guarantee there will not be a break in electronic communication that is beyond the control of the company.

AS ORDINARY BUSINESS

1. **To present the consolidated audited annual financial statements for the year ended 30 June 2020**
   (as set out on pages 105 to 160 of the Integrated Report), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.

2. **Ordinary resolution number 1: Re-appointment and re-election of retiring directors**
   To elect, by way of a series of votes, the following directors who retire in accordance with the provisions of the Companies Act, and the company's MoI, and who, being eligible and available, offer themselves for re-appointment or re-election, as may be applicable:
   - Ordinary resolution number 1.1 "RESOLVED THAT Ms D Nathoo, who was first appointed to the board on 9 March 2020, be and is hereby re-appointed as a director of the company"
   - Ordinary resolution number 1.2 "RESOLVED THAT Mr G G Huysamer be and is hereby re-elected as a director of the company"
   - Ordinary resolution number 1.3 "RESOLVED THAT Ms N Medupe be and is hereby re-elected as a director of the company"
   - Ordinary resolution number 1.4 "RESOLVED THAT Mr B T Ngcuka be and is hereby re-elected as a director of the company"

   Brief biographies in respect of each retiring director appear on page 17 of the Integrated Report.

   The board has reviewed the performance and contribution of each of the directors offering themselves for re-election and recommends that these directors be re-elected. Notwithstanding the aforegoing and in line with governance best practice, the continued independence of those non-executive directors who have served for longer than nine years is evaluated annually. Such evaluations take into account factors that may impair independence. Following a rigorous review, the board is satisfied that there are no relationships or circumstances likely to affect, or which affect, the judgement or independence of Ms Medupe.

3. **Ordinary resolution number 2: Re-appointment of external auditor**
   Upon the recommendation of the audit committee to re-appoint KPMG Inc. as the independent auditor of the company for the ensuing year to hold office until the next AGM, with Mr Dwight Thompson as the designated partner, and to authorise the audit committee to determine the auditor's terms of engagement and remuneration.

   "RESOLVED THAT KPMG Inc. be and is hereby re-appointed as the auditor of the company for the ensuing year, with Mr Dwight Thompson as the designated partner and that the audit committee be and is hereby authorised to determine the auditor's terms of engagement and remuneration."

4. **Ordinary resolution number 3: Appointment of group audit committee members**
   To elect, by way of a series of votes, and subject, where necessary, to their re-election as directors of the company in terms of ordinary resolution 1, the following independent non-executive directors as members of the audit committee to hold office until the next AGM:
   - Ordinary resolution number 3.1 "RESOLVED THAT Mr S G Morris be and is hereby elected as a member and the chairman of the audit committee"
   - Ordinary resolution number 3.2 "RESOLVED THAT Mr G G Huysamer be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 3.3 "RESOLVED THAT Mr F W J Kilbourn be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 3.4 "RESOLVED THAT Ms N Medupe be and is hereby elected as a member of the audit committee"

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

5. **Ordinary resolution number 4: Signature of documents**
"RESOLVED THAT any one director or the group company secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary for, or incidental to, the implementation of all the resolutions passed at and set out in this notice convening this AGM."

6. **Advisory vote: Remuneration policy and implementation report**
6.1 To endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out on pages 85 to 93 of the Integrated Report.

6.2 To endorse, by way of a non-binding advisory vote, the company's remuneration implementation report as set out on pages 94 to 100 of the Integrated Report.

In terms of King IV, an advisory vote on the company's remuneration policy and the implementation thereof should be obtained from shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof. In the event that the policy is voted against by 25% or more of the voting rights exercised, the company undertakes to engage with shareholders in order to determine how to address their legitimate and reasonable concerns.

7. **Special resolution number 1: Approval of non-executive directors' remuneration**
"RESOLVED THAT the remuneration payable to non-executive directors be approved as follows:

1 July 2019 to 30 June 2020 (R)	Annual fee payable with effect from 1 July 2020	Hourly rate payable with effect from 1 July 2020
Chairman of the board	**1 060 000**	
Services as lead independent director	**343 000**	
Services as a director	**262 000**	
Chairman of the audit committee	**184 000**	
– Other audit committee members	**84 500**	
Chairman of the remuneration and nominations committee	**162 000**	
– Other remuneration and nominations committee members	**73 000**	
Chairman of the risk committee	**126 000**	
– Other risk committee members	**57 500**	
Chairman of the social and ethics committee	**83 000**	
Ad hoc committee		2 100 capped at a total of 60 000"

The reason for and effect of the proposed resolution is to ensure that the company has the necessary approval in place to remunerate its non-executive directors in accordance with the requirements of sections 65(11)(h), 66(8) and 66(9) of the Companies Act and that the level of fees paid to non-executive directors remains market-related for purposes of attracting persons of sufficient calibre and skill, and accords with the greater accountability and risk attached to the position.

The reason for proposing an ad hoc committee fee over and above the remuneration ordinarily paid to the non-executive directors, is to set a fee for participating in an ad hoc committee established and mandated should circumstances necessitate the formation of one to consider a specific issue falling outside the scope of existing committees.

The board, on the recommendation of the remuneration and nominations committee, which in turn considered executive management's recommendation in this regard, has accepted the fees proposed in special resolution number 1, which, save for the ad hoc committee, reflects a zero percent increase, and recommends the same for approval by shareholders.

Refer to page 140 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 85 to 100 of the Integrated Report for further detail on the company's remuneration practices.

8. **Special resolution number 2: Financial assistance**
"RESOLVED THAT to the extent required by sections 44 and/or 45 of the Companies Act, the board may, subject to compliance with the requirements of the company's MoI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in such amounts and on such terms and conditions as the board may from time to time resolve, by way of loan, guarantee, the provision of security or otherwise to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

The reason for and effect of special resolution number 2
Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation and to a person related to any such company, corporation or member.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Further, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financial agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest. This is particularly so where funding is raised by the foreign subsidiaries of the company, whether by way of borrowings or the issue of bonds or otherwise, for the purposes of the conduct of their operations. In the circumstances and in order to, inter alia, ensure that the company and its subsidiaries and other related and inter-related companies and entities continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain shareholder approval as set out in this special resolution number 2. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act.

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or corporation, and/or to a member of a related or inter-related company, to subscribe for options or securities of the company or another company related or inter-related to it.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous two (2) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that:

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Accordingly, the approval of shareholders is sought to ensure that the company, its subsidiaries and other related and inter-related companies is able to effectively organise its internal financial administration.

9. Special resolution number 3: General authority to repurchase shares

"Resolved that the company or any subsidiary of the company is hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the capital of the company in accordance with the Companies Act, the company's MoI and the JSE Listings Requirements, provided that:

(i) The number of its own ordinary shares acquired by the company in any one financial year shall not exceed 10% (ten per cent) of the ordinary shares in issue at the date on which this resolution is passed
(ii) This authority shall lapse on the earlier of the date of the next AGM of the company or the date 15 (fifteen) months after the date on which this resolution is passed
(iii) The board has resolved to authorise the acquisition and that the company and its subsidiaries (the group) will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the group
(iv) The acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty
(v) The company only appoints one agent to effect any acquisition(s) on its behalf
(vi) The price paid per ordinary share may not be greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which an acquisition is made
(vii) The number of shares acquired by subsidiaries of the company shall not exceed 10% (ten per cent) in the aggregate of the number of issued shares in the company at the relevant times
(viii) The acquisition of shares by the company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless the company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing, prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE
(ix) An announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares in issue at the date of the AGM at which this special resolution is considered and, if approved, passed, and for each 3% (three per cent) in aggregate of the initial number acquired thereafter."

The following additional information, some of which may appear elsewhere in the Integrated Report, is provided in terms of section 11.26 of the JSE Listings Requirements for purposes of this general authority:

- major beneficial shareholders — page 159
- share capital of the company — page 134

Directors' responsibility statement
The directors, whose names appear on pages 16 and 17 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes
Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the company and its subsidiaries since the date of signature of the Integrated Report and up to the date of posting.

Reason for and effect of special resolution number 3
The general authority is required by the company to perform its settlement obligations to employees participating in the company's various share or employee incentive schemes.

Special resolution number 3 is sought to allow the group by way of a general authority to acquire its own issued shares (reducing the total number of ordinary shares of the company in issue, in the case of an acquisition by the company of its own shares). At the present time, the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate, taking prevailing market conditions and other factors. into consideration. The directors, having considered the effect of a maximum repurchase under the general authority, are of the opinion that:

(i) The group will be able to pay its debts in the ordinary course of business for a period of 12 (twelve) months after the date of this notice
(ii) The assets of the group will exceed the liabilities of the company and its subsidiaries for a period of 12 (twelve) months after the date of this notice, recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements
(iii) The ordinary share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice
(iv) The working capital of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice. In terms of the Companies Act, this acknowledgment by the directors is valid for a set period only and the directors' minds would need to be applied again if the buyback was implemented after this period.

RESOLUTIONS PERTAINING TO THE UNWIND OF THE COMPANY'S 2008 B-BBEE TRANSACTION

Shareholders are referred to the Appendix of this notice of AGM setting out details of the proposed unwind of the Company's broad-based black economic empowerment (B-BBEE) transaction established in 2008, which will result in the indirect repurchase by the company of 35 393 908 City Lodge Shares.

The below resolutions are required to give effect to the BEE Unwind, as detailed in the Appendix. Definitions contained in the Appendix will be applicable to these resolutions.

10. Special resolution number 4 – Specific authority, in terms of the Companies Act and JSE Listings Requirements for the direct or indirect repurchase by the company of 35 393 908 of its own shares

"RESOLVED THAT, subject to the passing of special resolution number 5, the company be and is hereby authorised, by way of a specific authority, in terms of sections 48(8)(b) and 114 read together with section 115 of the Companies Act, the JSE Listings Requirements and article 42 of the MoI of the company, to acquire directly or indirectly 35 393 908 of its own City Lodge shares, for a total subscription consideration equal to the BEE Debt due by the BEE SPVs to the Standard Bank of South Africa, being an amount of up to R776.3 million, to be acquired through a subscription for 99.99% of the ordinary shares of each of the BEE SPVs, being the current owners of the 35 393 908 City Lodge Shares, and on the terms set out in the Appendix to this notice of AGM".

If special resolution number 5 is passed and if the circumstances in special resolution number 5 are present and the directors resolve to revoke this special resolution number 4, the indirect specific repurchase will not be undertaken.

Explanations and voting requirements
The reason for and effect of special resolution number 4, if adopted and if the resolution is not revoked in terms of special resolution number 5, or treated as a nullity in terms of section 115(5)(b) of the Companies Act, will be the direct or indirect repurchase by the company of 35 393 908 of its own shares. This will be as a consequence of the Subscription, which will enable the BEE Unwind and simultaneously allow the BEE SPVs to settle the BEE Debt owing to Standard Bank of South Africa, failing which it will call on the Guarantee and the company will be obliged to settle the BEE Debt without being able to readily take ownership of the shares owned by the BEE SPVs.

In order for special resolution number 4 to be passed, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by City Lodge shareholders electronically participating, or represented by proxy, excluding the BEE SPVs and their associates, at the AGM is required.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

11. Special resolution number 5 – Potential revocation of special resolution number 4 in the event of City Lodge shareholders exercising their Appraisal Rights

"RESOLVED THAT, subject to the passing of special resolution number 4 and in the event that any City Lodge shareholders exercise their Appraisal Rights, the directors be and are hereby authorised, but not obliged, to revoke special resolution number 4, in terms of section 164(9)(c) of the Companies Act, if the directors are of the view that it is in the best interest of the company to do so."

Explanations and voting requirements

The effect of special resolution number 5, if adopted, will be to enable the company to revoke special resolution number 4, in the event that there are dissenting shareholders. In order for special resolution number 5 to be passed, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by City Lodge shareholders present in person, or represented by proxy, at the AGM is required.

REQUIREMENTS FOR THE PASSING OF RESOLUTIONS UNDER SECTION 114 AND SECTION 115 OF THE COMPANIES ACT AND APPLICATIONS TO COURT IN TERMS OF SECTION 115 OF THE COMPANIES ACT

Section 115 of the Companies Act sets out the requisite approval for undertaking transactions in terms of Chapter 5, Part A of the Companies Act. Section 115 of the Companies Act provides, inter alia, that:

i. certain parties will be precluded from voting at a general meeting, in the event that such party is considered to be an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them; and

ii. a resolution, despite having been adopted in terms of the Companies Act, may not be implemented, and would be subject to Court approval, if:
   a. the resolution was opposed by at least 15% (fifteen per cent) of the voting rights that were exercised on such resolution and within 5 (five) business days after the vote, any person who voted against the resolution requires the company to seek Court approval; and
   b. the Court, on an application within 10 (ten) business days after the vote by any person who voted against the resolution, grants that person leave, to apply to a Court for a review of the transaction, and section 115 of the Companies Act provides for the process to be followed under these circumstances.

iii. A copy of section 115 of the Companies Act is attached as Annexure 5 of the Appendix which forms part of this notice of AGM.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

In terms of section 164 of the Companies Act, at any time before special resolution number 4 and 5 as set out in this notice of AGM is to be voted on, a dissenting shareholder may give the company a written notice objecting to special resolution number 4 and/or special resolution number 5. Within 10 (ten) business days after the company has adopted special resolution number 4 and/or special resolution number 5, the company must send a notice that special resolution number 4 and/or special resolution number 5 has been adopted to each shareholder who:

i. gave the company a written notice of objection; and

ii. has neither:
   a. withdrawn that notice; or
   b. voted in support of the resolution.

A shareholder may demand that the company pay such shareholder the fair value for all the shares held by that shareholder if:

iii. the shareholder has sent the company a notice of objection;

iv. the company has adopted special resolution number 4 and/or special resolution number 5; and

v. the shareholder voted against special resolution number 4 and/or special resolution number 5 and has complied with all of the procedural requirements of section 164 of the Act.

A copy of section 164 of the Companies Act is attached as Annexure 6 of the Appendix which forms part of this notice of AGM.

OTHER BUSINESS

To transact such other business as may be transacted at an AGM.

By order of the board

M C van Heerden
Group company secretary

Bryanston

13 November 2020

FORM OF PROXY

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the thirty-fourth annual general meeting (AGM) of members to be conducted entirely by electronic means at 10:00 on Friday, 11 December 2020.

If you are a City Lodge shareholder referred to above, and are entitled to vote at the AGM, you can appoint a proxy or proxies to vote and speak in your stead at the AGM. A proxy need not be a shareholder of the Company. If you are a City Lodge ordinary shareholder and have dematerialised your ordinary shares through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but provide your CSDP with your voting instructions in terms of your custody agreement entered into with it. Generally, a shareholder will not be an own name dematerialised City Lodge shareholder unless the City Lodge shareholder has specifically requested the CSDP to record the City Lodge shareholder as the holder of shares in the City Lodge shareholder's own name in the Company's sub-register.

I/we, the undersigned

of

Telephone (home): (work): (cellular):

being the registered holder(s) of ordinary shares

hereby appoint

or failing him/her,

or failing them, the chairman of the meeting as my/our proxy to act for me/us and vote for me/us on my/our behalf as indicated below at the AGM of the company and at any adjournment thereof.

		Number of shares		
		In favour of	**Against**	**Abstain**
1.	Ordinary resolution number 1: Re-appointment and re-election of retiring directors			
1.1	Ms D Nathoo			
1.2	Mr G G Huysamer			
1.3	Ms N Medupe			
1.4	Mr B T Ngcuka			
2.	Ordinary resolution number 2: Re-appointment of external auditor			
3.	Ordinary resolution number 3: Appointment of group audit committee members			
3.1	Mr S G Morris			
3.2	Mr G G Huysamer			
3.3	Mr F W J Kilbourn			
3.4	Ms N Medupe			
4.	Ordinary resolution number 4: Signature of documents			
5.	Advisory vote: Remuneration policy and implementation report			
5.1	Remuneration policy			
5.2	Remuneration implementation report			
6.	Special resolution number 1: Approval of non-executive directors' remuneration			
6.1	Chairman of the board			
6.2	Services as lead independent director			
6.3	Services as a director			
6.4	Chairman of the audit committee			
6.5	Other audit committee members			
6.6	Chairman of the remuneration and nominations committee			
6.7	Other remuneration and nominations committee members			
6.8	Chairman of the risk committee			
6.9	Other risk committee members			
6.10	Chairman of the social and ethics committee			
6.11	Ad hoc committee			
7.	Special resolution number 2: Financial assistance			
8.	Special resolution number 3: General authority to repurchase shares			
9.	Special resolution number 4: Specific authority for the direct or indirect repurchase by the company of 35 393 908 of its own shares			
10.	Special resolution number 5: Potential revocation of special resolution number 4 in the event of City Lodge shareholders exercising Appraisal Rights			

Signature Date

Assisted by me (where applicable)

Each City Lodge shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to participate, speak and vote (either on a poll or by show of hands) in his/her stead at the AGM.

Please see the notes overleaf

NOTES TO THE FORM OF PROXY

1. A City Lodge shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A City Lodge shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned, together with proof of identification and authority to do so (where acting in a representative capacity), to the transfer secretary, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or proxy@computershare.co.za so as to be received by the transfer secretary no later than 10:00 on Wednesday, 9 December 2020, provided that any form of proxy not delivered to the transfer secretary by this time and date may (i) be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM or (ii) handed to the company secretary immediately before the commencement of the AGM. Shareholders are strongly encouraged to submit their proxies prior to the AGM so as to avoid delays to the commencement thereof due to the verification process that will need to be carried out.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from connecting electronically to the AGM and speaking and voting by way of electronic means to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.
9. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the City Lodge shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered.

Administration

City Lodge Hotels Limited
Incorporated in the Republic of South Africa
Registration number 1986/002864/06
ISIN: ZAE 000117792 Share code: CLH

Directors
B T Ngcuka (chairman), A C Widegger (chief executive officer)*,
G G Huysamer, F W J Kilbourn, M S P Marutlulle, D Nathoo*,
N Medupe, S G Morris, V M Rague⁺, L G Siddo*
**Executive ⁺Kenyan*

Company secretary
M C van Heerden

Registered office
The Lodge
Bryanston Gate Office Park
Corner Homestead Avenue and Main Road, Bryanston, 2191
PO Box 97
Cramerview, 2060
Telephone: +27 11 557 2600
Facsimile: +27 11 557 2601
Email: info@clhg.com
Websites: www.clhg.com
www.bid2stay.co.za

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Auditors
KPMG Inc.

Bankers
The Standard Bank of South Africa Limited

Attorneys
ENS Africa

Sponsor
Nedbank Corporate and Investment Banking