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

R000	Software development cost	Goodwill	Total
3. Intangible assets and goodwill continued			
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	COMPANY 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.*

	2020	2019
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.

	2020	2019
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

	2020	2019
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

R000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
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

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
The loans are secured by a guarantee provided by City Lodge Hotels Limited.	44 120	44 120	44 120	44 120
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
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

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
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

R000	Fees 2020	Fees 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

	GROUP		COMPANY	
R000	2020	2019	2020	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)

	GROUP	
R000	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

	COMPANY	
R000	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.