

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

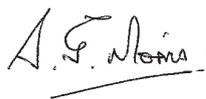
The committee is satisfied that the board has performed a solvency and liquidity test on the company and has concluded that the company satisfies the test, on the basis of the successful completion of the rights offer and the continued availability of borrowing facilities.

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