Notes to the financial statements

for the year ended 30 June 2021

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
1. Property, plant and equipment				
At cost				
Land	**123 749**	338 709	**1 178**	1 178
Buildings	**2 097 361**	2 474 402	**1 685 088**	1 644 413
– freehold	**1 700 944**	1 837 025	**1 310 054**	1 304 427
– leasehold	**396 417**	637 377	**375 034**	339 986
Buildings under construction	**339**	261 258	**339**	1 262
Furniture and equipment	**265 720**	431 500	**240 940**	264 755
	2 487 169	3 505 869	**1 927 545**	1 911 608
Accumulated depreciation and impairment losses				
Buildings	**674 336**	758 169	**564 181**	504 228
– freehold	**402 977**	370 903	**306 583**	258 968
– leasehold	**271 359**	387 266	**257 598**	245 260
Furniture and equipment	**140 909**	237 948	**123 510**	127 980
	815 245	996 117	**687 691**	632 208
Carrying amount				
Land	**123 749**	338 709	**1 178**	1 178
Buildings	**1 423 025**	1 716 233	**1 120 907**	1 140 185
– freehold	**1 297 967**	1 466 122	**1 003 471**	1 045 459
– leasehold	**125 058**	250 111	**117 436**	94 726
Buildings under construction	**339**	261 258	**339**	1 262
Furniture and equipment	**124 811**	193 552	**117 430**	136 775
	1 671 924	2 509 752	**1 239 854**	1 279 400

R000	Land	Buildings	Furniture and equipment	Total
Movements for the year				
Group – carrying amount				
Opening 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)
Effect of movement in exchange rates	3 311	105 278	12 053	120 642
Closing balance – 30 June 2020	338 709	1 977 491	193 552	2 509 752
Additions*	**–**	**47 061**	**26 259**	**73 320**
Acquisition through business combination	**–**	**5 188**	**–**	**5 188**
Depreciation	**–**	**(57 511)**	**(55 877)**	**(113 388)**
Impairment (loss)/reversal	**–**	**(400 497)**	**10 054**	**(390 443)**
Effect of movement in exchange rates	**(4 035)**	**(40 907)**	**(7 991)**	**(52 933)**
Reclassification to assets held for sale	**(210 925)**	**(107 461)**	**(41 186)**	**(359 572)**
Closing balance – 30 June 2021	**123 749**	**1 423 364**	**124 811**	**1 671 924**

* *Group – interest of R0.3 million (2020: R26.2 million) was capitalised in additions to buildings during the current and prior years (refer to note 3).*

Notes to the financial statements continued

for the year ended 30 June 2021

R000	Land	Buildings	Furniture and equipment	Total
1. Property, plant and equipment continued				
Company – carrying amount				
Opening 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
Additions**	**–**	**34 564**	**26 212**	**60 776**
Acquisition through business combination	**–**	**5 188**	**–**	**5 188**
Depreciation	**–**	**(37 022)**	**(41 171)**	**(78 193)**
Impairment	**–**	**(22 931)**	**(4 386)**	**(27 317)**
Closing balance – 30 June 2021	**1 178**	**1 121 246**	**117 430**	**1 239 854**

*** Company – interest of R0.3 million (2020: Rnil) was capitalised in additions to buildings during the current and prior years (refer to note 23).*

At 30 June 2021, properties with a carrying amount of R320.6 million (2020: R162.0 million) are subject to a registered bond to secure interest-bearing borrowings (refer to note 14).

As at 30 June 2021, the group and company had four hotels with the carrying value of R59.5 million, which had not been re-opened following the temporary suspension of operations at the beginning of the Covid-19 lockdown in March 2020.

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 four additional (2020 – five) Courtyard Hotel sectional title units from independent owners in February 2021 (three units) and March 2021 (one unit), 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:

	GROUP	
R000	**2021**	**2020**
Property, plant and equipment	**5 188**	5 700
Deferred tax	**(1 089)**	(1 176)
Total identifiable net assets acquired	**4 099**	4 524

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. Goodwill arising from the acquisition has been recognised as follows:

R000	**2021**	**2020**
Consideration transferred	**4 219**	5 827
Fair value of identifiable net assets	**(4 099)**	(4 524)
Goodwill	**120**	(1 303)

Impairments

Impairments for year ended 30 June 2021

For the purposes of impairment testing, each hotel is assessed as individual CGUs. During the year ended 30 June 2021, the group had a net impairment on property, plant and equipment of R390.4 million mainly on impairment to fair value less cost to sell of East African assets held for sale and reversed impairments on right-of-use assets by R48.9 million. The company impaired property, plant and equipment by R27.3 million mainly on newly constructed hotels due to prolonged recovery from the Covid-19 pandemic, and reversed impairments of right-of-use assets by R22.4 million due to revised estimated lease terms for City Lodge Hatfield.

1. Property, plant and equipment continued

Impairments continued

The recoverable amount has been determined by calculating either the value in use using a discounted cash flow model (DCF) or fair value less costs to sell. The discount rate utilised in the valuation was 16.0% in the next financial year, reducing to a normalised level of 15.4% by 2023 for South African hotels and range between 13.7% and 20.0% for Rest of Africa hotels. Management has forecast a gradual recovery from the third wave and the local insurrection in the first quarter of the new financial year, with steady growth in occupancies in the second quarter and beyond, as the success of the vaccination programmes enable the economy to open further. Cash flows for the remainder of 2022 will remain constrained with the group assumed to reach break-even EBITDA levels in and around the third quarter of the 2022 financial year. Occupancy and trading levels are assumed to return to 2019 financial year levels within the 2023 financial year. The annual growth rate applied to cash flow forecasts for established hotels for 2024 and 2025 financial years is 6%, and 5% for the 2026 financial year. The terminal growth rate applied is 4.5% for South African hotels and ranges between 3% and 6.5% for the Rest of Africa hotels.

Impairment loss on assets held-for-sale has been based on the agreed sales consideration with the buyer. For all other assets, the recoverable amount has been based on the greater of the value determined by (i) DCF; (ii) fair value less costs to sell, which was based on either comparable sales, where information was available; or (iii) alternate use development and comparable sales, in the immediate vicinity of the hotel. The valuation technique is considered to be a level 3, in respect of the fair value hierarchy.

Impairments for the year ended 30 June 2020

During 2020, the group impaired property, plant and equipment by R245.5 million, and the company impaired by R29.4 million as a consequence of the downward short to medium-term trading expectations due to the global Covid-19 pandemic. The recoverable amount was 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% in the next financial year, reducing to a normalised level of 15.5% by 2023 for South African hotels and range between 12.0% and 19.9% 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 were 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 was 5%. The terminal growth rate applied was 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 2019 and 2018, 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 impairment loss on property, plant and equipment and right-of-use assets of the following geographical regions recognised during the year were as follows:

	2021		
R000	Property, plant and equipment	Right-of-use asset	Total
South Africa[1]	27 317	(22 434)	4 883
Rest of Africa	363 126	(26 511)	336 615
Disposal groups held for sale	299 967	(22 595)	277 372
Other	63 159	(3 916)	59 243
	390 443	(48 945)	341 498

	2020		
R000	Property, plant and equipment	Right-of-use asset	Total
South Africa[1]	29 492	167 864	197 356
Rest of Africa	215 972	75 025	290 997
	245 464	242 889	488 353

[1] *Impairment losses and impairment reversals in company, comprise the South African portfolio of hotels only.*

Notes to the financial statements continued

for the year ended 30 June 2021

1. Property, plant and equipment continued

Impairments continued

The table below indicates the sensitivities of the aggregate recoverable amounts of property, plant and equipment and right-of-use assets for the following changes to assumptions and would have the inverse effect on the aggregate impairments recognised:

	GROUP			
	2021		2020	
R000	**Increase**	**Decrease**	Increase	Decrease
5% change in the net cash flows	**12 460**	**(13 239)**	9 124	(14 918)
25 bps change in the terminal growth rate	**–**	**(71)**	2 821	(2 697)
50 bps change in the discount rate	**(809)**	**–**	(13 917)	9 455
50 bps change in the capitalisation rate	**(7 130)**	**7 470**	–	–
5% change in the fair value less cost to sell values	**29 074**	**(32 711)**	22 601	(32 346)

	COMPANY			
	2021		2020	
R000	**Increase**	**Decrease**	Increase	Decrease
5% change in the net cash flows	**12 460**	**(13 239)**	6 760	(12 530)
25 bps change in the terminal growth rate	**–**	**(71)**	2 083	(1 911)
50 bps change in the discount rate	**(809)**	**–**	(11 633)	6 983
50 bps change in the capitalisation rate	**(7 130)**	**7 470**	–	–
5% change in the fair value less cost to sell values	**9 259**	**(12 896)**	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.

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	2020
Opening balance	**985 014**	–	**874 775**	–
Recognition of adoption of IFRS 16 *Leases* (1 July 2019)	**–**	1 310 708	**–**	1 123 445
Depreciation	**(85 894)**	(92 302)	**(76 873)**	(80 806)
Impairment reversals/(losses)	**48 945**	(242 889)	**22 434**	(167 864)
Additions	**234 267**	–	**234 267**	–
Remeasurement	**(121 624)**	–	**(121 624)**	–
Effects of movement in exchange rates	**(8 676)**	9 497	**–**	–
Reclassification to assets held for sale	**(53 770)**	–	**–**	–
Closing balance	**998 262**	985 014	**932 979**	874 775
Cost	**1 422 063**	1 310 708	**1 296 756**	1 123 445
Accumulated depreciation and impairment losses	**(423 801)**	(325 694)	**(363 777)**	(248 670)
Net carrying amount	**998 262**	985 014	**932 979**	874 775

The leasing activities of the group and company relate to the leasing of land and/or buildings. During the year ended 30 June 2021, the group reversed impairment losses to right-of-use assets by R48.9 million (2020: Impairment losses of R242.9 million) mainly due to increase in the fair value less cost to sell recognised in Tanzania. Further impairment reversal and the remeasurement is due to the revised estimated lease term of City Lodge Hatfield. During 2020, the group impaired the right-of-use assets 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 18.

3. Intangible assets and goodwill

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	2020
At cost				
Software development costs	**61 196**	62 904	**60 887**	61 119
Goodwill	**19 581**	19 461	**19 581**	19 461
	80 777	82 365	**80 468**	80 580
Accumulated amortisation and impairment				
Software development costs	**30 275**	24 943	**29 966**	23 939
Goodwill	**10 602**	–	**10 602**	–
	40 877	24 943	**40 568**	23 939
Carrying amount				
Software development costs	**30 921**	37 961	**30 921**	37 180
Goodwill	**8 979**	19 461	**8 979**	19 461
	39 900	57 422	**39 900**	56 641

R000	**Software development cost**	**Goodwill**	**Total**
Movements for the year			
Group – carrying amount			
Opening 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
Additions	**–**	**120**	**120**
Amortisation	**(6 571)**	**–**	**(6 571)**
Impairment		**(10 602)**	**(10 602)**
Loss on foreign exchange movement	**(123)**	**–**	**(123)**
Reclassification to assets held for sale	**(346)**	**–**	**(346)**
Closing balance – 30 June 2021	**30 921**	**8 979**	**39 900**
Company – carrying amount			
Opening 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	**–**	**120**	**120**
Amortisation	**(6 259)**	**–**	**(6 259)**
Impairment	**–**	**(10 602)**	**(10 602)**
Closing balance – 30 June 2021	**30 921**	**8 979**	**39 900**

* *Additions include goodwill associated with the acquisition of four (2020: five) units at Courtyard Hotels in 2021 of R0.1 million (2020: R1.3 million and goodwill tax related adjustment of R7.2 million).*

Impairment loss on goodwill

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)) acquired and assessed as individual CGUs. The recoverable amount has been determined by fair value less cost to sell. The estimates and assumptions applied are consistent with those used in the impairment on property, plant and equipment and right-of-use assets calculation. Refer to note 1.

The impairment loss of R10.6 million (2020: Rnil) has arisen on Courtyard Hotels following the continued impact of the Covid-19 pandemic on trading performance, and property market values which has had a direct impact on the fair value less cost to sell of the CGUs.

Sensitivity analysis

The table below indicates the sensitivities of the aggregate recoverable amount of goodwill for the group and company, for the following change to the assumption and would have the inverse effect on the aggregate impairments recognised:

R000	**Increase**	**Decrease**
5% change in fair value less cost to sell values	3 638	–

Notes to the financial statements continued

for the year ended 30 June 2021

R000	Issued share capital	% held	COMPANY 2021	COMPANY 2020
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	**109 946**	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#@	R364 657 152	99.9	**43 658**	
Newshelf 935 (RF) Proprietary Limited#@	R185 508 909	99.9	**21 836**	
Property Lodging Investments Proprietary Limited#	R100	100	**2 000**	2 000
Vuwa Hotels (RF) Proprietary Limited#@	R220 700 557	99.9	**43 659**	
			222 186	386 552

* *Less than R1 000.*
^ *The majority shareholder is City Lodge Hotels (Africa) Proprietary Limited, and the group has 100% holding.*
# *Company incorporated in South Africa.*
@ *Referred to as B-BBEE entities.*

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

Interest in Fairview Hotel Limited has been impaired to fair value less costs to sell, resulting in an impairment loss of R273.5 million (2020: nil) recognised in profit or loss.

City Lodge acquired 99.99% of the B-BBEE entities on 14 December 2020. The investment in the B-BBEE entities was assessed based on the share price at the date of acquisition (R3.08) and the number of City Lodge shares held by the B-BBEE entities (35 393 908), including other net assets, as R109.0 million. The B-BBEE entities were aggregated into the company's results until 14 December 2020. On the de-aggregation of the B-BBEE entities the net of the consideration of R770.9 million and the fair value loss of R661.9 million has been recognised directly in retained earnings.

R000	COMPANY 2021	COMPANY 2020
4.2 Loan to subsidiary		
Property Lodging Investments Proprietary Limited	**62 800**	62 800

The loan is unsecured, bears interest at nil per annum (2020: 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.

R000	COMPANY 2021	COMPANY 2020
Amounts included in other receivables and payables		
Amounts due by related parties	**41 887**	43 934
Amounts due to related parties	**(143 710)**	(137 617)

These amounts are unsecured, interest-free and repayable on demand.

	COMPANY	
	2021	**2020**
5. Loan receivable		
City Lodge 10th Anniversary Employees' Share Trust	**9 903**	12 020
Fairview Hotel Limited	**–**	28 000
	9 903	40 020

The City Lodge 10th Anniversary Employees' Share Trust loan is secured by the pledge of 2 821 475 (2020: 506 124) shares in City Lodge Hotels Limited having a market value of R9 903 377 (2020: R12 020 445), is interest-free and the loan is repayable on demand after 20 years from 18 December 1995 or in the event that the market value of the shares held by the trust falls below the amount outstanding of the loan. 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 R9.9 million.

The Fairview Hotel Limited loan is unsecured, bears interest at a rate of three-month JIBAR plus 245 basis points, and is repayable by no later than 31 December 2028. The proceeds from the disposal of Kenya shares and loan, will be used to settle the outstanding loan balance on completion of the sale within the next 12 months. As a result, R37 million outstanding loan balance, has been classified as current assets in other receivables (refer to note 8).

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
6. Deferred taxation				
Movement in deferred taxation assets				
Balance at beginning of year	**56 428**	22 713		
Charged to profit or loss	**3 407**	41 139		
Reclassification from deferred taxation liability*	**–**	(10 744)		
Foreign exchange movement	**(10 640)**	3 320		
Reclassification to assets held for sale	**(20 093)**	–		
Balance at end of year	**29 102**	56 428		
Analysis of deferred taxation assets				
Capital allowances	**4 752**	4 269		
Deductible accruals	**202**	818		
Net lease liability	**22 036**	32 608		
Prepayments	**(12)**	(46)		
Tax loss	**2 088**	40 921		
Unrealised foreign exchange gain	**36**	(22 142)		
	29 102	56 428		
Movement in deferred taxation liabilities				
Balance at beginning of year	**134 038**	197 812	**119 980**	173 028
Charged to profit or loss	**(94 027)**	(61 652)	**(93 457)**	(61 670)
Acquisition through business combinations	**1 089**	1 176	**1 089**	1 176
Effect of change in CGT inclusion rate recognised on goodwill	**–**	7 446		7 446
Reclassification from deferred taxation asset*	**–**	(10 744)		
Reclassification to Liabilities directly associated with assets held for sale	**(12 807)**	–		
Balance at end of year	**28 293**	134 038	**27 612**	119 980
Analysis of deferred taxation liabilities				
Capital allowances	**219 860**	233 144	**219 177**	219 086
Income received in advance	**(1 796)**	(3 097)	**(1 796)**	(3 097)
Net lease liability	**(88 883)**	(82 039)	**(88 883)**	(82 039)
Prepayments	**1 142**	582	**1 142**	582
Share options	**(1 631)**	(2 860)	**(1 631)**	(2 860)
Tax loss	**(89 166)**	(3 125)	**(89 163)**	(3 125)
Accruals	**(11 233)**	(8 567)	**(11 234)**	(8 567)
	28 293	134 038	**27 612**	119 980

* *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.*

Notes to the financial statements continued

for the year ended 30 June 2021

6. Deferred taxation continued

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% (2020: 28%)
- Botswana – 22% (2020: 22%)
- Kenya – 30% (2020: 25%)
- Namibia – 32% (2020: 32%)
- Tanzania – 30% (2020: 30%)

Deferred tax assets in Tanzania have been fully impaired due to the prolonged impact of the Covid-19 pandemic and delayed recovery due to reliance on international travel in the short to medium-term forecasts. The directors estimate that it will take longer to make the required returns to utilise the deferred taxation assets and therefore an impairment loss of R32.5 million deferred taxation assets has been recognised in Tanzania.

The remaining R29.1 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.

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
7. Inventories				
Food, liquor and beverages	**3 296**	5 540	**3 141**	2 601
There was no write-off of inventories during the year (2020: nil).				
8. Other receivables				
Amounts due by related parties (refer to note 32)			**41 887**	43 934
Prepayments	**7 102**	7 617	**7 022**	6 560
Sundry receivables	**23 493**	23 095	**13 191**	15 932
Enterprise development loans	**5 400**	7 400	**5 400**	7 400
Asset replacement reserve	**20 033**	17 809	**20 033**	17 809
Value added tax (VAT) refundable	**39 611**	81 681	**32**	–
	95 639	137 602	**87 565**	91 635

Impairment loss on other receivables

A loss allowance of R222.2 million has been raised on the amounts due by City Lodge Hotels (Africa), to the company, as the subsidiary is unlikely to generate adequate profits in the medium term, to repay the loan.

Management fees receivable from subsidiary, Fairview Hotels Limited in Kenya, previously included within 'Amounts due by related parties' have been impaired by R4.0 million (2020: Nil), as the amount receivable is deemed non-recoverable on completion of the sale of the entity.

VAT refundable in Tanzania has been impaired by R25.9 million (2020: Nil), based on a VAT assessment letter received from the Tanzanian Revenue Authority, which disallows some portion of the VAT refund due. The recoverability of the total VAT refund due is being investigated by local tax consultants, based on the assessment received.

R000	GROUP 2021	GROUP 2020
9. Other investments		
Balance at beginning of year	**15 800**	19 650
Deposit repaid by SBM Bank transferred to cash and cash equivalents	**(7 900)**	(6 577)
Effect of movement in exchange rates	**–**	2 727
Reclassification of other investments to cash and cash equivalents	**(7 900)**	–
Balance at end of year	**–**	15 800
Other investments recognised in statement of financial position are analysed as:		
Non-current portion	**–**	7 900
Current portion	**–**	7 900
	–	15 800

Other investments comprised a bank balance 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.

On 17 April 2018, the CBK announced that SBM Bank (Kenya) (SBM) would acquire 75% of the assets and assume 75% of the liabilities of CBL. The 25% of deposits which remained in CBL, were fully impaired, and were reassessed in line with further information provided by CBK. The remaining 75% acquired by CBK was and is being settled in annual tranches over a three-year period in August of each year, from 2019 to 2021. The first and second tranches were received in August 2019, and 2020 respectively, and the third and final tranche is due in August 2021.

10. Disposal groups held for sale

In July 2021, the group entered into two sale of share transactions for the disposal of 100% of shares in Fairview Hotel Limited in Kenya, and the disposal of 100% of shares in CLHG Tanzania Limited, in Tanzania (refer to note 34). The operations of these companies are included in the 'Central office and other' segment for operational purposes, and 'Rest of Africa' segment for geographical information as reported in the *Segment analysis*. Management has considered the requirements in IFRS 5 for disposal groups to be classified as available for sale and are satisfied that they have been met at 30 June 2021. Accordingly, these subsidiaries are presented as disposal groups held for sale. The proposed sale will not result in the disposal of a segment of the group or the disposal of a major service line. As a result, the disposal has not been considered to be a discontinued operation. The disposals are subject to the fulfilment of customary conditions precedent, including approvals or consent from competition or anti-trust authorities to the extent legally required, within 22 weeks from the date of signature.

As at 30 June 2021, the disposal groups comprised assets of R454.0 million less liabilities of R83.7 million, detailed as follows:

R000	2021
Assets held for sale	**453 965**
Property, plant and equipment and intangible assets	**359 918**
Right-of-use assets	**53 770**
Deferred tax assets	**20 093**
Current assets	**5 507**
Cash and cash equivalents	**14 677**
Liabilities directly associated with assets held for sale	**(83 702)**
Lease liabilities	**(61 101)**
Trade and other payables	**(9 794)**
Deferred tax liabilities	**(12 807)**
Net assets held for sale	**370 263**

An impairment loss of R300 million on property, plant and equipment, and reversal of impairments of R22.6 million on right-of-use assets were accounted for prior to classifying the operations as disposal groups held for sale. In addition, an impairment loss on other assets of R25.9 million has been recognised following the receipt of an assessment from the Tanzania Revenue Authority disallowing a portion of VAT refunds due, and a further impairment of R32.5 million to deferred tax asset has been recognised based on the assessment of its recoverability in Tanzania.

A further impairment loss of R9.6 million has been recognised, writing down the carrying amount of the disposal group to its fair value less costs to sell.

Notes to the financial statements continued

for the year ended 30 June 2021

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
11. Stated capital				
Authorised – No par value shares				
10 billion ordinary shares of no par value (2020: Nil)				
Reconciliation of number of shares authorised ('000)				
Opening balance 1 July 2020	–	–	–	–
Conversion from par value shares	50 000	–	50 000	–
Increase in authorised shares during the year	9 950 000	–	9 950 000	–
	10 000 000	–	10 000 000	–
Authorised – Par value shares				
Nil (2020: 50 000 000) ordinary shares of 10 cents each	–	5 000	–	5 000
Reconciliation of number of shares authorised ('000)				
Opening balance 1 July 2020	50 000	50 000	50 000	50 000
Conversion to no par value shares	(50 000)	–	(50 000)	–
	–	50 000	–	50 000
Reconciliation of number of no par value shares issued ('000)				
Opening balance 1 July 2020	–	–	–	–
Conversion from par value shares	43 574	–	43 574	–
Issue of shares – ordinary shares[1]	566 461	–	566 461	–
Share buy-back	(175)	–	(175)	–
	609 860	–	609 860	–
Reconciliation of number of par value shares issued ('000)				
Opening balance 1 July 2020	43 574	43 574	43 574	43 574
Conversion to no par value shares	(43 574)	–	(43 574)	–
	–	43 574	–	43 574
All unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. The authority remains in force until the next annual general meeting.				
Issued and fully paid				
609 859 502 ordinary shares of no par value (2020: 43 573 893 ordinary par value shares of 10c each)	1 324 717	4 357	1 324 717	4 357
Share premium	–	175 146	–	175 146
	1 324 717	179 503	1 324 717	179 503

[1] *In August 2020, the company completed a rights offer which entitled qualifying shareholders 13 rights for every one existing City Lodge ordinary share held at a subscription price of R2.12. The company issued 566 460 609 ordinary shares, and raised gross proceeds of R1 201 million net of transaction fees of R55 million.*

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
12. Treasury shares				
Balance at beginning of the year	**(514 381)**	(518 014)	**(495 703)**	(499 336)
Incentive scheme shares issued	**3 453**	3 633	**3 453**	3 633
Proceeds from sale of rights	**66 396**	–	**61 488**	–
Purchase of treasury shares in rights offer	**(66 396)**	–	**(61 488)**	–
Derecognition of B-BBEE entities as treasury shares in company	**–**	–	**486 051**	–
	(510 928)	(514 381)	**(6 199)**	(495 703)

Treasury shares comprise 35 393 908 shares held by the B-BBEE SPV's, and 2 821 475 shares held by the 10th Anniversary Employees' Share Trust.

In August 2020, the company completed a rights offer which entitled qualifying shareholders 13 rights for every one existing City Lodge ordinary share held at a subscription price of R2.12.

The B-BBEE SPVs held 6 390 365 shares at record date, and received 83 074 745 rights. The SPVs sold 54 071 202 rights for R61.5 million, and used the proceeds from the sale to fund and to exercise their remaining 29 003 543 rights.

Similarly, the 10th Anniversary Employees' Share Trust held 506 124 shares at record date, and received 6 579 612 rights. The share scheme sold 4 264 261 rights for R4.9 million, and used these proceeds from the sale to fund and to exercise their remaining 2 315 351 rights.

In prior years, City Lodge guaranteed the funding debt of the B-BBEE SPV entities, resulting in their incorporation, and the recognition of treasury shares. On 14 December 2020, the company used a portion of the proceeds from the rights offer to acquire 99.99% of the shares in each of the B-BBEE SPVs. Following the share purchase by the company, the B-BBEE SPVs have been derecognised from the Company, and recognised as a subsidiary within the group. The B-BBEE SPV treasury share investment in the company has been transferred to retained earnings.

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
13. Other reserves				
Share-based payment reserve	**55 267**	86 321	**55 267**	86 321
Balance at beginning of year	**86 321**	85 621	**86 321**	85 621
Expense for the year – share incentive scheme (refer to note 21)	**(1 761)**	7 273	**(1 761)**	7 273
Reserve transferred to retained earnings on exercise of vested rights	**(3 453)**	(6 573)	**(3 453)**	(6 573)
Reclassification of the equity portion of the B-BBEE share-based payment reserve	**(25 840)**		**(25 840)**	
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 B-BBEE shareholder's loan	**–**	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 B-BBEE transaction concluded in July 2008. Following the waiver of the B-BBEE shareholder's loan in December 2020, the equity component and the gain of waiver of the loan has been transferred to retained earnings.				
Foreign currency translation reserve	**57 344**	77 249		
Balance at beginning of year	**77 249**	25 121		
Foreign currency translation differences	**(19 905)**	52 128		
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.				
	112 611	190 511	**55 267**	113 262

Notes to the financial statements continued

for the year ended 30 June 2021

	GROUP		COMPANY	
R000	2021	2020	2021	2020
14. Interest-bearing borrowings				
Secured bank loan				
The Loan C is a revolver facility of R400 million (2020: R300 million) in total and bears interest at the one, three or six-month JIBAR plus 2.75 (2020: 2.10) percentage points, depending on the election made upon drawdown. Outstanding loan capital is repayable by 31 August 2023.	**350 000**	300 000		
The Loan D is a term loan facility of R200 million (2020: R450 million) in total and bears interest at the one, three or six-month JIBAR plus 2.65 (2020: 2.10) percentage points, depending on the election made upon drawdown. Outstanding loan capital is repayable by 31 December 2022.	**200 000**	450 000		
The Loan E was a term loan facility of R200 million secured in June 2020, and repayable on completion of the rights offer. R30 million was drawn in August 2020. The loan was settled in full from the proceeds of the rights offer.	**–**	–		
The Loan F is a term loan facility – bridge to asset sale of R100 million in total and bears interest at the one-month JIBAR plus 3.25 percentage points. Final maturity is 21 September 2022.	**100 000**	–		
The Loan G is a revolver loan facility of R100 million in total and bears interest at the one-month JIBAR plus 3.25 percentage points. Final maturity is 21 September 2022. The facility remains undrawn.	**–**	–		
Interest repayments are made according to the interest selected on drawdown notice.				
The loans are secured over land and buildings with a carrying amount of R320.6 million (2020: R162.0 million) and have been guaranteed by City Lodge Hotels Limited.				
The original debt covenants have been waived for all measurement periods up to and including September 2022.				
	650 000	750 000	**–**	–
The movement in interest-bearing borrowings during the year is as follows:				
Balance at beginning of year	**750 000**	660 000	**–**	–
Borrowings raised	**180 000**	90 000	**–**	–
Borrowings repaid	**(280 000)**	–	**–**	–
Interest charged	**37 125**	59 825	**–**	–
Interest paid	**(36 120)**	(63 915)	**–**	–
	651 005	745 910	**–**	–
Balance of beginning of year – interest	**1 398**	5 488	**–**	–
Interest accrued included in sundry accruals (refer to note 19)	**(2 403)**	(1 398)	**–**	–
Balance at end of year	**650 000**	750 000	**–**	–

	GROUP		COMPANY	
R000	2021	2020	2021	2020
15. B-BBEE interest-bearing borrowings				
The loans were secured by a guarantee provided by City Lodge Hotels Limited.	–	44 120	–	44 120
The loans bore interest at the six-month JIBAR rate plus 2.1 percentage points (2020: 2.1 percentage points). Interest repayments were made every six months in arrears.				
The loan capital was repaid on 14 December 2020, ahead of maturity on 31 January 2021.				
	–	44 120	–	44 120
Less: Amounts to be repaid within one year	–	(44 120)	–	(44 120)
Non-current liabilities	–	–	–	–
The movement in B-BBEE interest-bearing borrowings during the year is as follows:				
Balance at beginning of year	**44 120**	44 120	**44 120**	44 120
Interest charged	**1 417**	4 060	**1 417**	4 060
Interest paid	**(2 322)**	(4 034)	**(2 322)**	(4 034)
Borrowings repaid	**(44 120)**	–	**(44 120)**	–
	(905)	44 146	**(905)**	44 146
Balance at beginning of year – interest accrued	**905**	879	**905**	879
Interest accrued included in sundry accruals (refer to note 19)	–	(905)	–	(905)
Balance at end of year	–	44 120	–	44 120
16. B-BBEE preference shares				
Proceeds from the issue of redeemable preference shares	**440 700**	440 700	**440 700**	440 700
Redeemed during prior years	**(91 400)**	(85 700)	**(91 400)**	(85 700)
Redeemed during current year	**(349 300)**	(5 700)	**(349 300)**	(5 700)
	–	349 300	–	349 300
Less: Amounts to be repaid within one year	–	(349 300)	–	(349 300)
Non-current liabilities	–	–	–	–

On 8 July 2008, the City Lodge group effected a B-BBEE 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 were 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 was extended to no later than 31 January 2021.

An amount of R357.9 million was accrued in respect of preference dividends payable as at 30 June 2020. Of this, R1.5 million in respect of A preference shares was included under trade and other payables (refer to note 19) and R356.4 million in respect of B preference shares was payable by 31 January 2021.

On 14 December 2020, the group used a portion of the proceeds from the rights offer to acquire 99.99% of shares and beneficial interest in each of the B-BBEE SPVs for a total consideration of R770.9 million. The B-BBEE SPVs applied R349.3 million of the share issue consideration to the full redemption of the preference shares, and R375.1 million to the payment of preference share dividends accrued.

Notes to the financial statements continued

for the year ended 30 June 2021

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
17. B-BBEE shareholder's loan				
Vuwa Investments Proprietary Limited				
Loan granted	**50 000**	50 000	**50 000**	50 000
Equity component of B-BBEE shareholder's loan	**(37 418)**	(37 418)	**(37 418)**	(37 418)
Notional interest expense – prior years	**37 418**	37 418	**37 418**	37 418
Loan waiver	**(50 000)**	–	**(50 000)**	–
The B-BBEE 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. Vuwa Investments Proprietary Limited waived the repayment of the shareholder's loan of R50 million on 14 December 2020. The gain on waiver of the loan has been transferred to retained earnings.				
	–	50 000	**–**	50 000
B-BBEE shareholder's loan recognised in the statement of financial position is analysed as:				
Non-current portion	**–**	–	**–**	–
Current portion	**–**	50 000	**–**	50 000
Total	**–**	50 000	**–**	50 000
18. Lease liabilities				
Opening balance	**1 388 440**	–	**1 167 770**	–
Recognition of adoption of IFRS 16 *Leases* (1 July 2019)	**–**	1 389 607	**–**	1 181 551
Additions	**234 267**	–	**234 267**	–
Interest costs	**119 031**	117 214	**99 980**	97 908
Lease payments	**(134 221)**	(132 219)	**(113 459)**	(111 689)
Remeasurement	**(138 140)**	–	**(138 140)**	–
Effects of movement in exchange rates	**(18 169)**	13 838	**–**	–
Reclassification to liabilities directly associated with assets held for sale	**(61 101)**	–	**–**	–
Closing balance	**1 390 107**	1 388 440	**1 250 418**	1 167 770
Lease liabilities recognised in the statement of financial position are analysed as:				
Non-current portion	**1 365 591**	1 376 063	**1 228 944**	1 156 924
Current portion	**24 516**	12 377	**21 474**	10 846
	1 390 107	1 388 440	**1 250 418**	1 167 770
Total cash flows in respect of leases				
Principal portion of the lease liability	**15 190**	15 005	**13 479**	13 781
Interest portion of the lease liability	**119 031**	117 214	**99 980**	97 908
	134 221	132 219	**113 459**	111 689
Associated right-of-use assets are disclosed in note 2. The maturity analysis is disclosed in note 31.3				
19. Trade and other payables				
Trade payables	**13 904**	16 967	**10 747**	8 383
Amounts due to related parties (refer to note 32)			**143 710**	137 617
Accruals	**106 565**	117 741	**98 422**	96 714
Other trade payables	**54 903**	34 130	**46 583**	26 622
B-BBEE preference dividend payable	**–**	1 498	**–**	1 498
	175 372	170 336	**299 462**	270 834

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
20. 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:				
Accommodation	**432 719**	990 556	**407 154**	911 111
Food and beverage	**66 544**	154 316	**56 407**	127 108
Other revenue	**8 553**	14 411	**6 230**	9 129
	507 816	1 159 283	**469 791**	1 047 348
Primary geographical markets				
South Africa	**469 791**	1 047 348	**469 791**	1 047 348
Rest of Africa	**38 025**	111 935	**–**	
	507 816	1 159 283	**469 791**	1 047 348
21. Results from operating activities				
Results from operating activities are arrived at after charging/(crediting)				
Auditors' remuneration	**6 565**	5 722	**4 338**	3 523
Audit fees	**5 032**	4 446	**3 300**	2 659
Fees for other services	**1 533**	1 276	**1 038**	864
B-BBEE transaction charges	**1 223**	288	**7**	288
Defined-contribution plan expense	**6 910**	28 750	**6 910**	28 750
Depreciation and amortisation	**119 959**	131 156	**84 452**	101 717
– buildings	**57 511**	57 774	**37 022**	45 385
– furniture and equipment	**55 877**	66 741	**41 171**	50 023
– computer software	**6 571**	6 641	**6 259**	6 309
Depreciation – right-of-use assets	**85 894**	92 302	**76 873**	80 806
Liquor and beverages	**32 836**	57 235	**28 275**	45 858
Variable lease payments	**1 784**	5 793	**1 784**	33 047
Profit on remeasurement of lease	**(16 517)**	–	**(16 517)**	–
Pre-opening expenses	**5 737**	11 163	**5 737**	2 424
Profit on disposal of property, plant and equipment	**–**	(6)	**–**	(6)
Salaries, wages and related benefits	**282 338**	385 251	**247 795**	338 677
– employed	**270 098**	343 418	**236 080**	298 316
– subcontracted	**12 240**	41 833	**11 715**	40 361
Rent received	**(841)**	(1 923)	**(841)**	(1 923)
Share-based payment (income)/expense (refer to note 27)	**(1 761)**	7 273	**(1 761)**	7 273
– City Lodge 10th Anniversary Employees' Share Trust	**319**	2 925	**319**	2 925
– City Lodge bonus share plan	**2 309**	3 453	**2 309**	3 453
– City Lodge share appreciation rights scheme	**(4 389)**	895	**(4 389)**	895

Notes to the financial statements continued

for the year ended 30 June 2021

R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	Current year share-based payment expense*	Total
22. Directors' emoluments							
Executive directors							
2021							
Lindiwe Siddo	**2 593**	**–**	**11**	**58**	**2 662**	**(526)**	**2 136**
Dhanisha Nathoo	**2 491**	**–**	**52**	**56**	**2 599**	**–**	**2 599**
Andrew Widegger	**5 447**	**–**	**45**	**115**	**5 607**	**(1 189)**	**4 418**
	10 531	**–**	**108**	**229**	**10 868**	**(1 715)**	**9 153**
2020							
Lindiwe Siddo	2 497	–	9	215	2 721	429	3 150
Dhanisha Nathoo (appointed 9 March 2020)[Δ]	763	600	17	–	1 380	–	1 380
Andrew Widegger	5 054	–	32	641	5 727	978	6 705
Alastair Dooley (resigned 9 March 2020)	1 778	–	21	181	1 980	–	1 980
	10 092	600	79	1 037	11 808	1 407	13 215

* *This expense represents the IFRS 2 costs for the year of any option or right given or reversed (refer to note 27).*

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 2021	Fees 2020
Deon Huysamer	**383**	416
Frank Kilbourn	**553**	592
Sizakele Marutlulle	**316**	327
Ndumi Medupe	**433**	449
Stuart Morris	**541**	580
Bulelani Ngcuka (payment made to Vuwa Investments Proprietary Limited)	**972**	1 007
Vincent Rague	**293**	303
Keith Shongwe (resigned 7 November 2019)	**–**	95
Stephen Enderle (appointed 1 April 2021)*	**–**	–
	3 491	3 769

* *Stephen Enderle appointed on 1 April 2021, has indicated he will not be accepting directors fees until the company resumes dividends payments.*

No other payments were made to directors.

22. Directors' emoluments continued

Share appreciation rights	Date of grant	Grant price (R)	Holding at 30 June 2020	Granted	Exercised/ forfeited/ lapsed	Holding at 30 June 2021	Lapse date	Number vesting at 30 June 2021
Andrew Widegger	01/09/2013	120.83	26 136	–	(26 136)	–	01/09/2020	–
	01/09/2014	123.17	27 359	–	–	27 359	01/09/2021	27 359
	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	–
Lindiwe Siddo	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	–
			212 015	–	(61 916)	150 099		27 359

Restricted share plan – bonus shares	Date of award	Share acquisition price (R)	Holding at 30 June 2020	Granted	Vested	Lapsed/ forfeited	Holding at 30 June 2021	Vesting date
Andrew Widegger	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
Lindiwe Siddo	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
			18 938	–	(5 839)	–	13 099	

Notes to the financial statements continued

for the year ended 30 June 2021

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
23. Interest				
23.1 Interest income				
Bank	**7 171**	2 369	**6 662**	691
Subsidiaries			**1 860**	10 331
Other	**575**	545	**575**	545
	7 746	2 914	**9 097**	11 567
23.2 Interest expense				
Long-term borrowings – bank	**38 542**	63 885	**1 417**	4 922
Lease liabilities	**119 031**	117 214	**99 980**	97 908
Short-term borrowings	**2 882**	958	**2 882**	956
Subsidiaries	**–**	–	**654**	–
Preference dividend	**17 211**	48 369	**17 211**	48 369
	177 666	230 426	**122 144**	152 155
Interest capitalised to property, plant and equipment	**(251)**	(26 214)	**(251)**	–
	177 415	204 212	**121 893**	152 155
Interest is capitalised to property, plant and equipment at 7.0% (2020: 9.52%) per annum.				
24. Taxation				
Current – current tax	**587**	6 784	**–**	24
Dividend withholding tax	**(141)**	(76)		
Deferred – current tax	**(95 714)**	(147 362)	**(93 457)**	(61 670)
Deferred – impairment of tax losses	**–**	47 073	**–**	–
Deferred – reduction in tax rate	**(1 720)**	(2 502)	**–**	–
	(96 988)	(96 083)	**(93 457)**	(61 646)
Reconciliation of taxation rate (%)				
Domestic statutory tax rate	**28**	28	**28**	28
Adjusted for:				
– B-BBEE transactions	**(0.6)**	(2.5)	**(0.7)**	(5.0)
– deferred tax assets not recognised on assessed loss	**(4.4)**	(10.5)		
– effect of tax rates in foreign jurisdictions	**0.5**	1.4		
– expenses not in the production of income	**(0.3)**	(0.2)	**–**	(0.3)
– impairment of loan	**–**	–	**(16.3)**	(2.0)
– deferred tax assets not recognised on impairment	**(12.7)**	–	**–**	–
– rate change	**0.2**	0.3	**–**	–
– tax incentives	**–**	–	**–**	–
Effective rate of taxation	**10.7**	16.5	**11.0**	20.7
25. Dividends				
Number 61 in 2020 of 137.0 cents per share declared on 14 August 2019 and paid on 9 September 2019	**–**	59 696	**–**	59 696
Number 62 in 2020 of 153.0 cents per share declared on 19 February 2020 and paid on 16 March 2020	**–**	66 668	**–**	66 668
Dividends attributable to treasury shares	**–**	(18 150)	**–**	(18 532)
	–	108 214	**–**	107 832

Given the prolonged impact of the Covid-19 pandemic and the resurgence of new waves of infections on the group's operations and revenue, the board has determined that no final dividend shall be paid in the respect of the year ended 30 June 2021. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

	GROUP		COMPANY	
R000	2021	2020	2021	2020
26. Commitments				
Capital				
Authorised				
– contracted	**25 626**	66 438	**24 050**	53 337
– not contracted	**137 418**	60 959	**124 720**	52 354
	163 044	127 397	**148 770**	105 691
Future capital expenditure will be financed out of funds generated from operations and external borrowings and it is anticipated that approximately R49.3 million will be spent by 30 June 2022. Given the uncertainty created by the Covid-19 pandemic, the remaining R113.7 million of authorised spend has been put on hold.				
Guarantees				
Total guarantees provided to third parties on behalf of the company amounted to R8 761 000 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	**–**	757
– between one and five years	**757**	–	**757**	–
– later than five years	**8 004**	203	**8 004**	203

27. 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% (2020: 64.45%) 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 rights 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 income for the year ended 30 June 2021 in profit or loss is R4 389 248 (2020: Loss for the year of R894 909).

Notes to the financial statements continued

for the year ended 30 June 2021

	2021		2020	
	Number of SARs	Weighted average strike price (R)	Number of SARs	Weighted average strike price (R)
27. Employee benefits continued				
Share-based payments continued				
Outstanding at beginning of year	**442 578**	**112.13**	458 805	129.83
Granted during year	**–**	**–**	228 606	91.28
Forfeited during year	**(29 378)**	**102.11**	(176 723)	141.31
Exercised during year	**–**	**–**	(68 110)	85.66
Expired during the year	**(55 257)**	**120.83**		
Outstanding at end of year	**357 943**	**111.61**	442 578	112.13
Exercisable at end of year	**58 250**	**123.17**	113 507	122.03

	2021	2020
Average remaining life (years)	**4.08**	3.00
American binomial model inputs as follows:		
Volatility (%)	**–**	27
Risk-free rate (%)	**–**	7.10
Dividend yield (%)	**–**	3.45
Expected life (years)	**–**	7
Strike price (Rand)	**–**	91.28
Average share price (Rand)	**–**	91.28
Option price (Rand)	**–**	27.46

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 2021 in profit or loss is R318 860 (2020: R2 925 414).

	2021 Number of shares	2020 Number of shares
Outstanding at beginning of year	**506 124**	506 124
Rights exercised in the rights offer	**2 315 351**	–
Outstanding at end of year	**2 821 475**	506 124

27. Employee benefits continued

	2021		2020	
	Per share	Total portfolio	Per share	Total portfolio
European binomial model inputs as follows:				
Volatility (%)	**83**	**83**	26	26
Risk-free rate (%)	**3.59**	**3.59**	6.72	6.72
Dividend yield (%)	**9.77**	**9.77**	3.34	3.34
Expected life (years)	**1**	**1**	1	1
Effective strike price (Rand)	**67.18**	**34 000 000**	102.71	51 984 304
Share price (Rand)	**23.75**	**12 020 516**	102.71	51 984 304
Effective option price (Rand)	**0.63**	**318 860**	5.78	2 925 414

Equity-settled restricted share plan

Senior management 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. The vesting period is generally three years. In the case of resignation or dismissal, all unvested awards will be forfeited. The share-based, equity-settled profit for the year ended 30 June 2021 in profit or loss is R2 309 139 (2020: loss of R3 452 355).

	2021		2020	
	Number of shares granted	Weighted average share price (R)	Number of shares granted	Weighted average share price (R)
Unvested at beginning of year	**71 029**	**125.21**	76 269	148.90
Granted during year	**–**	**–**	33 847	93.74
Forfeited during year	**(1 833)**	**120.42**	(7 474)	125.21
Vested during year	**(20 066)**	**141.34**	(31 613)	164.79
Unvested at end of year	**49 130**	**112.43**	71 029	125.21

28. 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 2021

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
29. Notes to the statements of cash flows				
29.1 Cash generated by operations				
Loss before taxation	**(901 597)**	(582 715)	**(850 917)**	(298 254)
Adjusted for:				
– depreciation and amortisation	**119 959**	131 156	**84 452**	101 717
– depreciation – right-of-use asset	**85 894**	92 302	**76 873**	80 806
– impairment loss on other receivables	**25 879**	–	**226 174**	21 980
– impairment loss on disposal group	**9 600**	–	**–**	–
– impairment loss on property, plant and equipment	**390 443**	245 464	**27 317**	29 492
– impairment (reversal)/loss on right-of-use assets	**(48 945)**	242 889	**(22 434)**	167 864
– impairment loss on goodwill	**10 602**	–	**10 602**	–
– impairment loss on interest in subsidiaries	**–**	–	**273 519**	–
– impairment loss on loan receivable	**–**	–	**2 117**	–
– interest income	**(7 746)**	(2 914)	**(9 097)**	(11 567)
– interest expense	**58 384**	86 998	**21 913**	54 247
– interest expense – leases	**119 031**	117 214	**99 980**	97 908
– profit on disposal of property, plant and equipment	**–**	(6)	**–**	(6)
– remeasurement of lease	**(16 517)**	–	**(16 517)**	–
– share-based payment (income)/expense	**(1 761)**	7 273	**(1 761)**	7 273
– unrealised foreign currency gain	**38 045**	(73 895)	**–**	–
– other non-cash items	**–**	238	**–**	238
Operating cash flows before working capital changes	**(118 729)**	264 004	**(77 779)**	251 698
Decrease/(increase) in inventories	**623**	2 438	**(540)**	1 502
Decrease/(increase) in trade and other receivables	**4 616**	49 358	**(182 881)**	36 784
Increase/(decrease) in trade and other payables	**16 229**	(42 542)	**30 892**	(13 750)
	(97 261)	273 258	**(230 308)**	276 234
29.2 Taxation paid				
Balance overpaid at beginning of year	**42 756**	11 935	**36 881**	6 602
Taxation per statements of comprehensive income	**(446)**	(6 708)	**–**	(24)
Balance overpaid at end of year	**(38 258)**	(42 756)	**(36 881)**	(36 881)
	4 052	(37 529)	**–**	(30 303)
29.3 Investment to maintain operations				
Additions to property, plant and equipment				
– land and buildings	**–**	(738)	**–**	(168)
– furniture and equipment	**(2 709)**	(52 953)	**(2 662)**	(51 422)
– computer software	**–**	(58)	**–**	–
	(2 709)	(53 749)	**(2 662)**	(51 590)
Less: Proceeds on disposal				
Furniture and equipment	**–**	142	**–**	142
	(2 709)	(53 607)	**(2 662)**	(51 448)
29.4 Investment to expand operations				
Additions to property, plant and equipment				
– land and buildings	**(46 809)**	(32 883)	**(34 312)**	(20 157)
– acquisition through business combination	**(4 219)**	(5 827)	**(4 219)**	(5 827)
– furniture and equipment	**(23 551)**	(10 325)	**(23 551)**	(10 325)
	(74 579)	(49 035)	**(62 082)**	(36 309)
29.5 Investments and loans				
(Increase)/decrease in loans	**–**	–	**(9 000)**	7 000
	–	–	**(9 000)**	7 000

R000	GROUP 2021	GROUP 2020
30. Headline earnings		
30.1 Headline earnings reconciliation		
Earnings used to calculate basic and diluted earnings per share (EPS)	**(804 609)**	(486 632)
Profit on sale of property, plant and equipment	**–**	(6)
Impairment loss on property, plant and equipment	**390 443**	245 464
Impairment (reversal)/loss right-of-use assets	**(48 945)**	242 889
Impairment loss on goodwill	**10 602**	–
Taxation effect	**(2 665)**	(143 797)
Headline earnings	**(455 174)**	(142 082)
Number of shares in issue ('000)	**571 645**	36 677
Weighted average number of shares in issue for EPS and HEPS calculation ('000)[1]	**501 001**	110 661
Weighted average number of shares in issue for diluted EPS and HEPS calculation ('000)[1]	**501 001**	110 661
Headline earnings per share (HEPS) (cents)[1]		
– undiluted	**(90.9)**	(128.4)
– fully diluted	**(90.9)**	(128.4)
30.2 Weighted average number of shares (000's)		
Total number of weighted average number of shares in issue	**536 546**	131 469
Treasury shares/B-BBEE share investment held as treasury shares	**(32 922)**	(19 281)
10th Anniversary Employees Shares Trust treated as treasury shares	**(2 623)**	(1 527)
Weighted average number of shares in issue for EPS and HEPS calculations[1]	**501 001**	110 661
30.3 Number of shares in issue (000's)		
Total number of shares in issue	**609 860**	43 574
Treasury shares/B-BBEE share investment held as treasury shares	**(35 394)**	(6 390)
10th Anniversary Employees Shares trust investment held as treasury shares	**(2 821)**	(507)
Net of treasury shares in issue	**571 645**	36 677

1 *The comparative headline earnings per share and weighted average number of shares have been restated in terms of IAS 33.28 as a result of the rights offer in August 2020, which contained a bonus element.*

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
31. Financial instruments				
31.1 Classes of financial instruments				
Financial assets				
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loan receivable			**9 903**	40 020
Trade receivables	**17 586**	18 877	**16 510**	18 733
Investments	**800**	800	**800**	800
Other receivables	**48 926**	48 304	**80 511**	85 075
Other investments	**–**	15 800	**–**	–
Cash and cash equivalents	**5 477**	28 413	**–**	–
Financial liabilities				
Interest-bearing borrowings	**(650 000)**	(750 000)	**–**	–
B-BBEE interest-bearing borrowings	**–**	(44 120)	**–**	(44 120)
B-BBEE preference shares	**–**	(349 300)	**–**	(349 300)
B-BBEE shareholder's loan	**–**	(50 000)	**–**	(50 000)
B-BBEE B preference share dividend accrual	**–**	(356 416)	**–**	(356 416)
Lease liabilities	**(1 390 107)**	(1 388 440)	**(1 250 418)**	(1 167 770)
Trade and other payables	**(175 372)**	(170 336)	**(299 462)**	(270 834)
Bank overdraft	**(89 651)**	(47 438)	**(90 629)**	(52 831)

The fair value of the financial assets and liabilities approximates their carrying amount at amortised cost, due to their short-term nature, as well as market-related interest rates.

Notes to the financial statements continued

for the year ended 30 June 2021

31. Financial instruments continued

31.2 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 3.25% or the South African prime rate.

At 30 June 2021 borrowings are linked to the various rates. The interest rate profile of the group's interest-bearing financial liabilities was:

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
Linked to one-month JIBAR	**100 000**	–		
Linked to three-month JIBAR	**550 000**	750 000		
Linked to six-month JIBAR	**–**	44 120	**–**	44 120
Linked to South African prime rate	**89 651**	753 154	**90 629**	758 547
	739 651	1 547 274	**90 629**	802 667

At 30 June 2021 financial assets are linked to the various rates, the carrying amounts of which are as follows:

R000	**2021**	**2020**	**2021**	**2020**
Linked to three-month JIBAR			**37 000**	28 000
Linked to South African prime rate	**5 477**	44 213	**–**	–
	5 477	44 213	**37 000**	28 000
Cash flow sensitivity analysis for variable rate instruments A change of 100 basis points in interest rates would have increased/(decreased) profit or loss and equity by the amount shown above. This analysis assumes that all other variables remain constant.				
Financial assets	**55**	442	**370**	28
Financial liabilities	**7 397**	15 473	**906**	8 027

(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.

31.3 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.

31. Financial instruments continued

31.3 Liquidity 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 2021					
Financial liabilities					
Interest-bearing borrowings	**650 000**	**726 237**	**41 969**	**684 268**	**–**
Lease liabilities	**1 390 107**	**2 744 937**	**147 224**	**626 596**	**1 971 117**
Bank overdraft	**89 651**	**89 651**	**89 651**	**–**	**–**
Trade and other payables	**175 372**	**175 372**	**175 372**	**–**	**–**
	2 305 130	**3 736 197**	**454 216**	**1 310 864**	**1 971 117**
At 30 June 2020					
Financial liabilities					
Interest-bearing borrowings	750 000	840 540	32 833	807 707	–
B-BBEE interest-bearing borrowings	44 120	47 141	47 141	–	–
B-BBEE preference shares	349 300	349 300	349 300	–	–
B-BBEE shareholder's loan	50 000	50 000	50 000	–	–
B-BBEE 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 and other payables	170 336	170 336	170 336	–	–
	3 156 050	5 032 548	1 211 646	1 442 068	2 378 834
COMPANY					
At 30 June 2021					
Financial liabilities					
Lease liabilities	**1 250 418**	**2 521 739**	**129 543**	**543 741**	**1 848 455**
Bank overdraft	**90 629**	**90 629**	**90 629**	**–**	**–**
Trade and other payables	**299 462**	**299 462**	**299 462**	**–**	**–**
	1 640 509	**2 911 830**	**519 634**	**543 741**	**1 848 455**
At 30 June 2020					
Financial liabilities					
B-BBEE interest-bearing borrowings	44 120	47 141	47 141	–	–
B-BBEE preference shares	349 300	349 300	349 300	–	–
B-BBEE shareholder's loan	50 000	50 000	50 000	–	–
B-BBEE 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 and other payables	270 834	270 834	270 834	–	–
	2 291 271	3 611 987	1 263 093	533 583	1 815 311

Notes to the financial statements continued

for the year ended 30 June 2021

31. Financial instruments continued

31.4 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 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.

A loss allowance of R226.2 million has been raised on other receivables (refer to note 8).

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

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loan receivable			**9 903**	40 020
Other receivables	**48 926**	48 304	**80 511**	85 075
Trade receivables	**17 586**	18 877	**16 510**	18 733
Investments	**800**	800	**800**	800
Other investments	**–**	15 800	**–**	–
Cash and cash equivalents	**5 477**	28 413	**–**	–
	72 789	112 194	**170 524**	207 428
Trade receivables by type of customer				
Travel agents	**11 412**	14 948	**10 474**	16 665
Large corporates and companies	**6 174**	3 929	**6 036**	2 068
	17 586	18 877	**16 510**	18 733
Trade receivables by country				
South Africa	**16 510**	18 733	**16 510**	18 733
Botswana	**216**	63		
Namibia	**860**	81		
	17 586	18 877	**16 510**	18 733

31. Financial instruments continued

31.4 Credit risk continued

The loss allowance as at 30 June 2021 was determined as follows for trade receivables:

R000	Current	30 to 60 days	61 to 90 days	More than 90 days	More than 120 days	Total
30 June 2021						
GROUP						
Expected loss rate (%)	**13.77**	**52.43**	**98.83**	**100**	**100**	**33.86**
Gross carrying amount – trade receivables	**17 293**	**5 593**	**1 355**	**329**	**2 017**	**26 587**
Lifetime ECLs	**2 382**	**2 933**	**1 340**	**329**	**2 017**	**9 001**
COMPANY						
Expected loss rate (%)	**14.44**	**53.59**	**100**	**100**	**100**	**35.07**
Gross carrying amount – trade receivables	**16 351**	**5 429**	**1 333**	**329**	**1 986**	**25 428**
Lifetime ECLs	**2 361**	**2 909**	**1 333**	**329**	**1 986**	**8 918**
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

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**2020**
The movement in the loss allowance in respect of trade receivables during the year was as follows:				
Balance at beginning of year	**7 625**	7 337	**5 600**	7 311
Loss allowance raised	**2 940**	5 164	**4 043**	3 185
Written off as irrecoverable	**(725)**	(4 896)	**(725)**	(4 896)
Foreign exchange movement	**(282)**	20		–
Reclassification to assets held for sale	**(557)**	–	**–**	–
Balance at end of year	**9 001**	7 625	**8 918**	5 600

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 as well as an increase in the average loss rate.

31.5 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.

Notes to the financial statements continued

for the year ended 30 June 2021

32. Related parties

32.1 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, Property Lodging Investments Proprietary Limited, Newshelf 935 (RF) Proprietary Limited, Newshelf 892 (RF) Proprietary Limited and Vuwa Hotels (RF) Proprietary Limited.

The company also has an indirect shareholding in City Lodge Holdings (Share Block) Proprietary Limited, City Lodge Hotels (Namibia) Proprietary Limited, CLHG Tanzania Limited and CLHG Mozambique Limitada.

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 22) and information below, there are no other related parties with whom material transactions have taken place.

32.2 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.

	COMPANY	
R000	2021	2020
32.3 Material related-party transactions		
Subsidiary companies		
Management fees paid to related parties		
Courtyard Management Company Proprietary Limited	**711**	1 747
Management fees received from related parties		
City Lodge Hotels (Botswana) Proprietary Limited	**470**	907
City Lodge Hotels (Namibia) Proprietary Limited	**250**	576
CLHG Tanzania Limited	**320**	209
Lease payments paid to related parties		
Budget Hotels Proprietary Limited	**–**	1 745
Property Lodging Investments Proprietary Limited	**–**	27 254
	–	28 999
Interest received from related parties		
Fairview Hotel Limited	**1 860**	2 795
Property Lodging Investments Proprietary Limited	**–**	7 536
	1 860	10 331
Interest and commitment fees paid to related parties		
City Lodge Hotels (Africa) Proprietary Limited	**654**	863
Licence fees received from related parties		
Fairview Hotel Limited	**742**	611
32.4 Loan to subsidiaries		
Fairview Hotel Limited (refer to note 5)	**–**	28 000
Property Lodging Investments Proprietary Limited (refer to note 4.2)	**62 800**	62 800

R000	COMPANY 2021	COMPANY 2020
32. Related parties continued		
32.5 Amounts due to related parties		
Budget Hotels Proprietary Limited	**17 183**	17 230
Property Lodging Investments Proprietary Limited	**106 599**	104 742
City Lodge Holdings (Share Block) Proprietary Limited	**4 065**	4 065
Courtyard Management Company Proprietary Limited	**15 852**	11 569
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
	143 710	137 617
32.6 Amounts due by related parties		
City Lodge Hotels (Africa) Proprietary Limited	**–**	43 595
City Lodge Hotels (Botswana) Proprietary Limited	**2 578**	339
Fairview Hotels Limited, Kenya	**37 000**	–
City Lodge Hotels (Namibia) Proprietary Limited	**1 779**	–
CLHG Tanzania Limited	**530**	–
	41 887	43 934

The amounts due to and by related parties are unsecured, interest-free and repayable on demand.

A loss allowance of R222.2 million (2020: Nil) has been raised on the amounts due by City Lodge Hotels (Africa) to the company, as the subsidiary is unlikely to generate adequate profits in the medium term to repay the loan.

Management fees receivable from Fairview Hotels Limited in Kenya have been impaired by R4.0 million (2020: Nil), as the amount receivable is deemed non-recoverable on completion of the sale of the entity.

R000	COMPANY 2021	COMPANY 2020
32.7 Loan to employee share trust		
10th Anniversary Employee Share Trust (refer to note 5)	**9 903**	12 020

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
32.8 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 22):				
– short-term employee benefits, including salaries and bonuses	**10 868**	11 808	**10 868**	11 808
– equity compensation benefits	**(1 715)**	1 407	**(1 715)**	1 407
	9 153	13 215	**9 153**	13 215

33. Contingent liabilities

The group has no significant contingent liabilities as at 30 June 2021.

Notes to the financial statements continued

for the year ended 30 June 2021

34. Subsequent events

On 23 July 2021 the group announced the proposed disposal of its East Africa hotel operations. The disposal of 100% shareholding in Fairview Hotel Limited in Kenya, comprising three hotels, will be disposed of for an aggregate consideration of R140.9 million. The disposal of 100% shareholding in CLHG Tanzania Limited in Tanzania, comprising one hotel, will be disposed of for an aggregate consideration of R1 million. Both disposals are to subsidiaries of Actis Africa Real Estate 3 LP, a leading global investor in sustainable real estate and infrastructure. Immediately after the shares in CLHG Tanzania Limited are acquired, CLHG Tanzania Limited will repay its shareholder loan claims of R318.2 million to City Lodge Hotels (Africa) Proprietary Limited. The disposals are subject to the fulfilment of customary conditions precedent, including approvals or consent from competition or anti-trust authorities to the extent legally required, within 22 weeks from the date of signature. The proposed disposals have been recorded as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in the consolidated financial statements for the year ended 30 June 2021.

City Lodge is currently engaging with loss adjustors in respect of business interruption claims directly associated with hotel closures related to the Covid-19 pandemic. There is currently significant uncertainty on the outcome of the investigations by insurers, and whether our claim will be settled. Any proceeds received in terms of business interruption claims will contribute to the group's liquidity. The South African operations have a policy limit of R20 million.

The directors are not aware of any other matter or circumstances arising since the reporting date.

35. Going concern

The consolidated and separate financial statements for the year ended 30 June 2021 are prepared on the going concern basis. Based on cash flow forecasts, available funding facilities and other measures the group and the company have taken or plans to take, management believes that the group and the company have sufficient liquidity to meet its obligations and continue operations.

The group and the company have incurred a net loss for the year ended 30 June 2021 of R804.6 million (2020: R486.6 million) and R757.5 million (2020: R236.6 million), respectively. The losses were mainly attributable to the restricted trading operations due to the pandemic and government restrictions and regulations across the world to contain the spread of infections which limited travel and social interactions, and impairment loss on property, plant and equipment of R390.4 million based mainly on the fair value less cost to sell hotels mostly outside of South Africa. The company's impairment losses recognised in the current year mainly relate to intergroup receivables and interest in subsidiaries of R499.7 million, which is a consequence of the related impairments of property, plant and equipment and the sale of East Africa operations.

The impact of the prolonged economic recovery from the Covid-19 pandemic and the resurgent waves of infections has impacted the length of time it will take to return to pre-Covid-19 levels of operations. Cash flows for the remainder of 2022 will remain constrained with the group and company assumed to reach break-even EBITDA levels in and around the third quarter of the 2022 financial year. Occupancy and trading levels are assumed to return to 2019 financial year levels within the 2023 financial year. Based on European and North American market indicators, the progress of the vaccination roll-out programmes, has a direct impact on the severity of future lockdown restrictions. We have therefore assumed that, future lockdown restrictions due to new waves of infections, will be less severe than the third wave and will have a limited impact on operating performance.

As at 30 June 2021, the group has a net cash and cash equivalents overdraft of R69.5 million (2020: R19.0 million). Group current liabilities exceeded its current assets (excluding assets held for sale) by R130 million (2020: R788.9 million) relating primarily to the bank overdraft position, and increase in current portion of lease liabilities. The company has a bank overdraft of R90.6 million (2020: R52.8 million) as at 30 June 2021 and its current liabilities exceeded its current assets by R267.5 million (2020: R984.5 million) at the same date.

In preparing the cash flows utilised to assess going concern of the group and the company, in addition to the forecast impact of Covid-19 on operational performance, management also considered the following pipeline and active measures:

- The proceeds and planned application of the sale of East African operations (refer to note 34)
- On completion of the sale of the East African operations, R200 million of the proceeds will be used to repay Loan D and Loan F to Standard Bank, in equal amounts
- Continuous turnaround strategic review of all poor performing hotels
- Maintaining the cost containment measures put in place since April 2020, where appropriate, while liquidity remains constrained
- The group has secured an additional R100 million term loan facility from its lenders, in addition to the existing available debt facilities of R50 million; and also agreed a 12-month extension to the repayment terms of Loan F
- In exchange for the additional facility and the waiver of the original debt covenants for all measurement periods up to September 2022, lenders have introduced revised loan to value covenants and liquidity thresholds measured quarterly. The group forecasts to meet these new covenant requirements.

The directors have assessed the cash flow forecasts together with the other actions taken or proposed by management and are of the view that the group and the company has sufficient liquidity to meet its obligations.

36. New standards and interpretations effective for years ending after 30 June 2021

At the date of authorisation of these financial statements for the year ended 30 June 2021, the following standards and interpretations were in issue but have not been early adopted by the group:

Interest rate benchmark (IBOR) reform (phase 2) (Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*)

The phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

IBOR (phase 2) amendments must be applied for financial years commencing on or after 1 January 2021. The group is assessing the impact of IBOR (phase 2) reform.

Classification of Liabilities as Current or Non-current *(Presentation of Financial Statements)*

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. IAS 1 amended must be applied for financial years commencing on or after 1 January 2023. The group will apply the new standard for the financial period beginning on 1 July 2023.

The group is still assessing the impact of the amendment to the classification of liabilities as current or non-current.

Amendment to IFRS 3 *Business Combinations*

The IASB has updated IFRS 3 *Business Combinations*, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the IASB added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21 *Levies*, rather than the 2018 Conceptual Framework.

The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The group is still assessing the impact and will apply the amendment from 1 July 2022.

Proceeds before intended use (Amendments to IAS 16 *Property, Plant and Equipment*)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received in selling items produced while the entity is preparing the asset for its intended use.

IAS 16 amended must be applied for financial years commencing on or after 1 January 2022. The group will apply the new amendment from 1 July 2022, however, it is not expected to have a material impact.

Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of costs to fulfil a contract.

Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. IAS 37 amended must be applied for financial years commencing on or after 1 January 2022.

The group will apply the amendment from 1 July 2022, however, it is not expected to have a material impact.