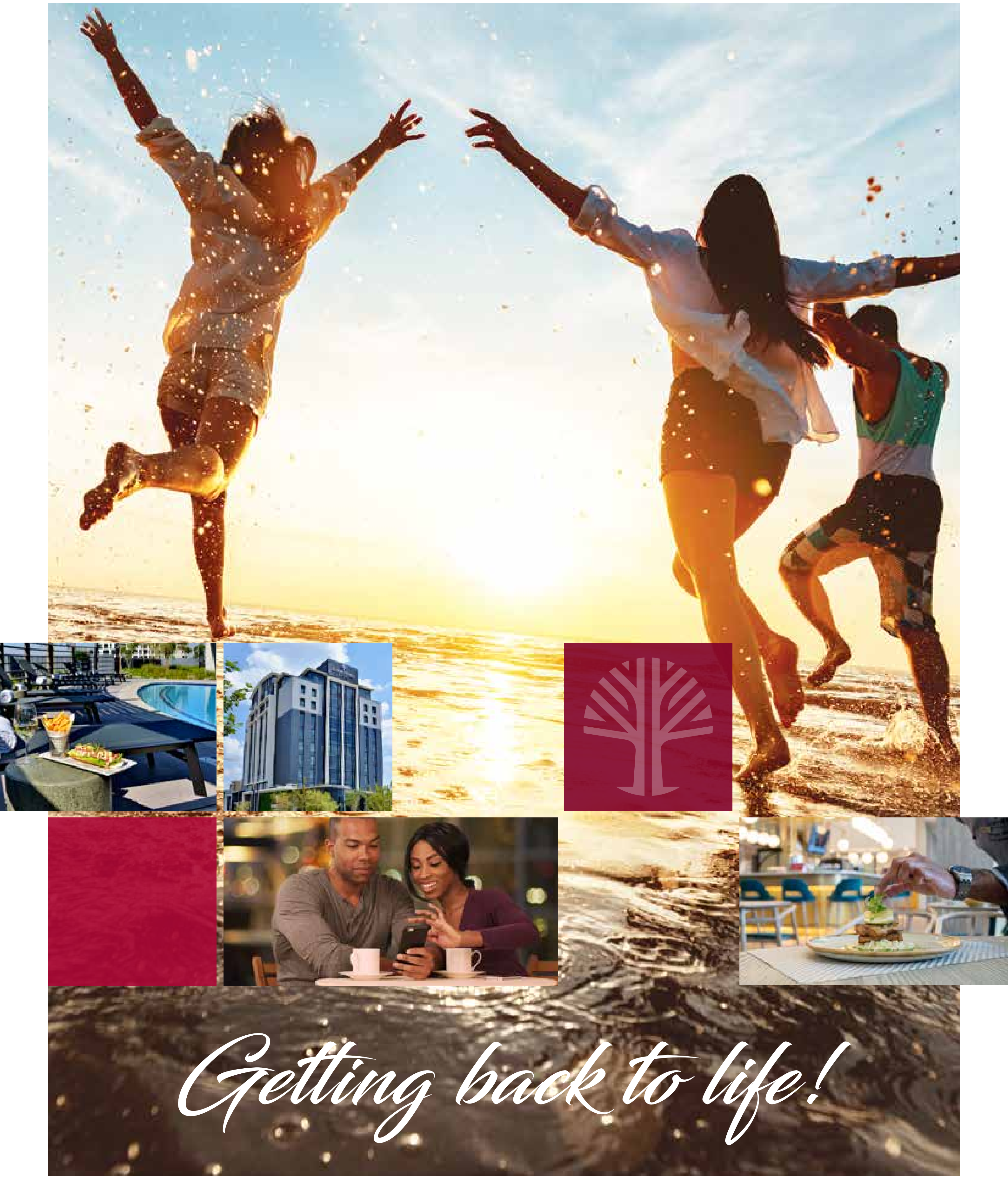


CITY LODGE HOTEL GROUP

Integrated Report 2021

2021 performance

Financial capital

Revenue

R0.51bn

2020: R1.16bn

Total dividends declared

Nil

2020: 153c

Group operating costs

R570m

2020: R736m

Loss on headline earnings per share (HEPS)*

(91 cents)

2020: (128 cents)

Loss on earnings per share (EPS)*

(161 cents)

2020: (440 cents)

* *EPS and HEPS prior year comparatives have been restated in terms of IAS 33 as a result of the rights offer in August 2020*

Human capital

Employee headcount

1 148

2020: 1 194

Manufactured capital

Total rooms

8 070

2020: 7 902

Infrastructure investments

R77.3m

2020: R102.8m

Average group occupancies (open hotels)

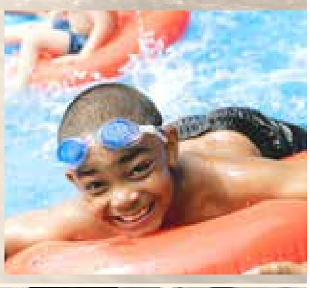
26%

2020: 38%

Average SA occupancies (open hotels)

28%

2020: 41%



Contents

2021 performance continued

Social and relationship capital

Customer satisfaction

92.8%

2020: 89%

CSI spend

R1.2m

2020: R3.5m

Intellectual capital

Minimised touchpoints

Paperless online check-in via CLHG app

Business intelligence (BI) tool

Improved decision making and hotel and guest management through data analysis

Best available rate

Analysing market trends to calculate more competitive rates for our guests

Food and beverage innovation

Enhanced 'Eat In' offerings and appointment of an executive chef

Natural capital

Water consumption

312 112 kℓ

2020: 436 013 kℓ

Electricity

17.7m kWh

2020: 23.7m kWh

About this report

This integrated report (IR) of the City Lodge Hotel Group (CLHG or the group) represents a concerted effort to offer the group's stakeholders a clear and comprehensive account of the actions, decisions, strategy, operations, and performance of the group for the period 1 July 2020 to 30 June 2021. It also provides insights into the plans and strategic direction of CLHG for the coming financial year and the foreseeable future.

In line with our commitment to full transparency and honest communication with all our stakeholders, this report is guided and informed by the following global best practice standards and guidelines:

- International Integrated Reporting Council's (IIRC) International <IR> Framework
- Companies Act, 71 of 2008, as amended (Companies Act)
- Johannesburg Stock Exchange (JSE) Listings Requirements
- The King IV Report on Corporate Governance, 2016 (King IV™*)
- International Financial Reporting Standards (IFRS)
- SAICA Financial Reporting Guides
- Financial Reporting Pronouncements

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Navigating this report

For easy navigation and cross-referencing, we use the following icons throughout this IR.

Strategy icons

Consolidation

Transformation

Environmental sustainability

Information technology

Brand identity

Link to other parts of the report

Further information is available online at **www.clhg.com**

Directs you to related information in this report

Forward looking statements

Certain information contained in this report may constitute 'forward looking statements'. These may involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the group and its subsidiaries to be materially different from the future results, performance or achievements stated or implied. The group has no obligation to publicly update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have also not been reviewed or reported on by the group's auditors.

INTEGRATED REPORTING

This is the 11th consecutive year that the group has published an IR. Despite ongoing efforts to align our report with the highest international IR reporting standards, we acknowledge that the dynamic business environment and constantly evolving IR principles mean that integrated reporting will always be a work in progress, an ongoing journey rather than a destination.

This report further refines our reporting, building on the solid IR foundations we have laid over the past decade. This IR's content has, therefore, been developed in consultation with all our stakeholders, supported by input from reporting specialists.

Following the format of last year's report, this IR delivers a view of the year under review according to the six capitals that our group leverages to deliver value to its stakeholders. We believe this approach not only ensures our compliance with the latest IR standards but also makes for a more user-friendly document.

We are committed to improving this IR and value any feedback and suggestions from its readers. Please email your comments or suggestions to Dhanisha Nathoo at **DNathoo@clhg.com**.

SCOPE AND BOUNDARY

The group's IR is compiled annually and released at least 15 business days before its annual general meeting (AGM). No restatements from the prior year were necessary.

This 2021 report covers the full operations of the group. The group's 63 hotels, situated across southern and eastern Africa, include five hotel brands: Fairview Hotel, Courtyard Hotel, City Lodge Hotel, Town Lodge and Road Lodge. Although we are divesting from Kenya and Tanzania post year-end, we continue to report on their FY2021 performance in the group results.

The information in this report will be of value to all CLHG stakeholders, although it is primarily aimed at supporting the financial capital allocation assessments of financial capital providers. The group's consolidated and separate annual financial statements form part of the report.

STATEMENT BY THE BOARD OF DIRECTORS

The board acknowledges its responsibility to ensure the integrity of the IR and has applied its mind as such. As a board, we believe that it addresses all material issues honestly, and presents the integrated performance of the organisation and its impacts in line with the principles set out in the International <IR> Framework.

The IR has been prepared in line with best practice and the recommendations of King IV™.

It was approved by the board on 28 October 2021 and is signed on its behalf by:

Andrew Widegger
Chief executive officer

Bulelani Ngcuka
Non-executive chairman

Covid-19 disclaimer

It should be noted some photographs were taken prior to 2020 and therefore will not comply with Covid-19 health and safety regulatory precautions and social distance measures.

GROUP AT A GLANCE
LEADERSHIP REVIEW
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Getting back to living

The Covid-19 pandemic changed life as we know it, probably forever.

After the initial shock and uncertainty of early 2020, we quickly pulled together as a group. Teamwork and innovation led the way to embracing the new status quo. While we remain vigilant in the face of each new wave, we have worked hard to keep our doors open and our guests safe and happy.

Covid-19 vaccination rollouts around the globe are encouraging customers to leave their homes and to get back to living life outside the confines of pandemic-enforced isolation. CLHG is ready to welcome all new and returning guests. We used the quieter time to implement several innovations to improve the guest experience:

- **Enhanced health and safety protocols.** Our Stay Safe stamp of approval provides assurance that our hotels are as safe as possible for staff and guests.
- **Exciting new food offerings.** We introduced a delicious range of eat-in and 'grab-and-go' options, including gourmet pizzas, which our guests love. We also enhanced our bar snack menus complemented with beer on tap, making for a fulfilling meal without overextending our guests' budget.

- **Digitalisation.** Contactless solutions like online check in, QR codes for menus and WhatsApp communication with staff take the guest experience and our internal operations to a new level and reduce the amount of paper required.

- **Environmentally-friendly solutions.** We launched a new range of amenities free from single-use plastic and have introduced hydration stations for free magnesium-enriched filtered water, reducing the need to purchase bottled water, as part of our sustainability journey.
- **Exciting perks.** Guests can now access our top-of-the-range services for less – our WKND Special and **#YourPrivateOffice** offerings are proving popular.

Our guests' safety and comfort remain of paramount importance to us. CLHG looks forward to seeing you again and again as you get back to living your best life.

People caring for people – guest feedback

CITY LODGE HOTELS

City Lodge Fourways

"Normal brand name hotels get overlooked as travellers think they will just be the same all over, but then you find a brand name hotel like City Lodge Hotel Fourways and with the biggest amount of OOMPH – that is the only way to describe it. From the moment we checked in, we were welcomed and greeted with warmth and hospitality. Not the normal 'fake smile' you sometimes get, but a true and honest warm welcome. Having all our temperatures checked and following all the relevant Covid-19 rules, a porter helped us to our respective rooms. Meal service was done via an app (well done) and the food was delivered fresh and hot to the room."

~ Gerhard

Who we are

OUR JOURNEY

1985

City Lodge Randburg (now Bryanston), the first selected services hotel in South Africa, opens its doors to the public.

1990

Town Lodge, a new brand and differentiated two-star offering is added to the portfolio.

1992

JSE
JOHANNESBURG STOCK EXCHANGE

City Lodge Hotels Limited successfully lists on the JSE.

1995

COURTYARD HOTEL
ROAD LODGE BY CITY LODGE HOTELS

Road Lodge, our one-star brand, and Courtyard Hotel, our four-star brand, are added to the portfolio.

The group acquires a 50% interest in companies associated with the upmarket Courtyard Suite Hotel chain.

The City Lodge 10th Anniversary Employees Share Trust is launched, enabling employees to become shareholders.

2017

Town Lodge Windhoek in Namibia and the City Lodge Hotel at Two Rivers Mall in Nairobi, Kenya are established.

2014

Fairview Hotel's remaining 50% interest is acquired by the group.

Our hotel brands and logos are rejuvenated.

2013

Town Lodge Gaborone opens, our first hotel to be developed outside South Africa.

2012

CLHG acquires 50% of Fairview Hotel Limited in Nairobi, Kenya.

2008

B-BBEE shareholders are introduced through a structured deal.

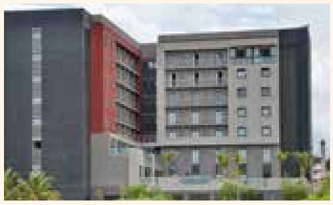
2018

City Lodge Hotel Dar es Salaam in Tanzania expands our East African footprint.

2020

City Lodge Hotel Maputo in Mozambique partially opens in February 2020.

The Covid-19 pandemic sweeps across the globe, with associated lockdown measures by government. The hospitality sector is among the worst impacted industries.



2021

A successful rights offer is completed in August 2020, with R1.2 billion in capital raised off the issue of an additional 566.5 million shares.

CLHG acquires 99.9% of the B-BBEE SPV's and settles its financial obligations to the bank.

Courtyard Hotel Waterfall City in Midrand, Johannesburg is unveiled, a significant milestone in hotel design and development and a new concept for the brand.

Additional technological advances ensure the ongoing safety of staff and guests and the group's sustainability journey continues.

Vision and values

We care for our guests, for one another and for the communities in which we live

We care for families, especially the children who will represent us in the future and build on our legacy by the way they live

We care about being hospitable, and about the safety and wellbeing of our guests

We care for our shareholders, not only because of the hard-earned money they invest in our company, but also for the trust they have placed in us

We care for our people, and value their worth and contribution to our business

We care for our suppliers, who we respect and trust to provide us with goods and services of the highest quality

Vision

We will be recognised as the preferred sub-Saharan African hotel group

The City Lodge Hotel Group's

Credo

The secret to our success?

We serve

We are ordinary people. Every day we accomplish extraordinary things, as **'people caring for people.'**

Vision-based
Values-driven
Purpose-led

Through dedicated leadership, teamwork and kindness, we will demonstrate our consistent commitment to delivering caring service with style and grace. We will constantly enhance our guests' experience through our passionate people, ongoing innovation and leading-edge technology.

Our integrity, values and investment in our people and hotels will provide exceptional returns to stakeholders and ensure continued, sustainable growth. Through acts of kindness we will make a positive difference to our guests, our colleagues, our communities and our environment.

Our credo is the outward expression of the inner character of City Lodge Hotels. It represents the collective qualities, both mental and moral, that distinguish us in our marketplace. While our hotels are constructed from bricks and mortar, it is our people, and the relationships they build with other people, that provide the real strength that allows us to grow and prosper.

Ultimately, our purpose is to care – for our countries, for the property of our guests, for our company, and for our environment, which we have a responsibility to preserve for future generations. Above all, we care for people.

This caring heart is embodied in the emotional connection we have with others and which makes us genuinely concerned for their wellbeing, happiness and success.

Our leadership position in the African hospitality sector was not achieved by accident or through good fortune. We are leaders because we are committed to serving others. We strive at all times to understand, support and empathise with our people and to partner with them to ensure they constantly grow, develop and achieve their full potential.

Through our commitment to caring and serving, we are building resilient, empowered and successful communities – not only the communities in which we operate, but also a global community of satisfied guests who choose to return to us again and again. They are served by a hospitality industry community to which we actively contribute and impart skills so that guests enjoy the best experiences with us.

In the end, our success is born out of understanding that we are just ordinary people striving to accomplish extraordinary things. As people caring for people, we will achieve our vision and deliver on our purpose.

In this we will not fail. **We care too much!**

Every hotel says it is committed to service excellence, but as a **group we live that promise.**

Thanks to the **passion, care and commitment of our highly motivated and dedicated staff**, all our hotels have attracted many thousands of loyal business and leisure guests, all of whom trust us to delight them with **consistently superior experiences.**

It's what we have done for over three and a half decades and what we will always continue to do.

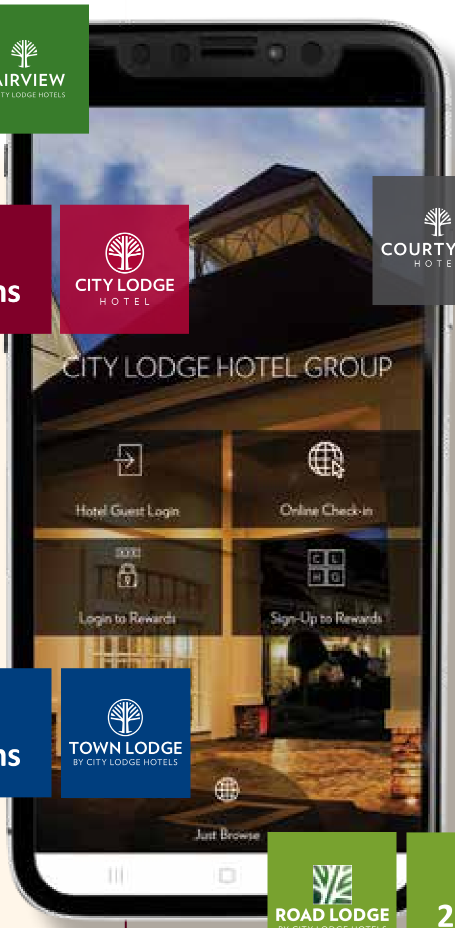
Safe travels

Operating footprint

1 hotel
127 rooms
FAIRVIEW BY CITY LODGE HOTELS

21 hotels
3 600 rooms
CITY LODGE HOTEL

5 hotels
480 rooms
COURTYARD HOTEL

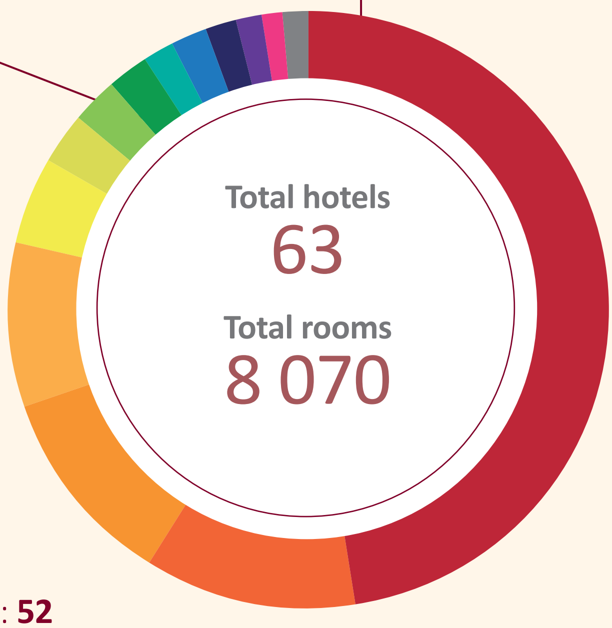


13 hotels
1 591 rooms
TOWN LODGE BY CITY LODGE HOTELS

23 hotels
2 272 rooms
ROAD LODGE BY CITY LODGE HOTELS

Geographic spread of rooms

Gauteng	47.52%
Western Cape	11.45%
KwaZulu-Natal	10.90%
Eastern Cape	8.84%
Kenya	4.73%
Free State	2.69%
Mpumalanga	2.49%
North West	2.23%
Tanzania	1.83%
Mozambique	1.83%
Namibia	1.82%
Botswana	1.29%
Limpopo	1.26%
Northern Cape	1.12%



Owned hotels: **52**
Leased hotels **11**

Group structure

CITY LODGE HOTEL GROUP

- 100% Budget Hotels Proprietary Limited RSA
- 100% City Lodge Hotels (Africa) Proprietary Limited RSA
  - 100% City Lodge Hotels (Namibia) Proprietary Limited Namibia
  - 100% CLHG Mozambique Limitada Mozambique■
  - 100% CLHG Tanzania Limited Tanzania●
- 100% City Lodge Hotels (Botswana) Proprietary Limited Botswana
- 100% Courtyard Management Company Proprietary Limited RSA
- 100% Fairview Hotel Limited Kenya
- 70% Anchor Park Investments 105 Proprietary Limited
- 100% Property Lodging Investments Proprietary Limited RSA
  - 100% City Lodge Holdings (Share Block) Proprietary Limited RSA*
- 100% Gallic Courtyard (Arcadia) (Share Block) Proprietary Limited RSA
- 100% Gallic Courtyard (Bruma Lake) (Share Block) Proprietary Limited RSA
- 100% Gallic Courtyard (Rosebank) (Share Block) Limited RSA
- 100% Gallic Courtyard (Sandown) (Share Block) Limited RSA
- 99,99% Vuwa Hotels (RF) Proprietary Limited RSA
- 99,99% Newshelf 935 (RF) Proprietary Limited RSA
- 99,99% Newshelf 892 (RF) Proprietary Limited RSA

** A subsidiary of Property Lodging Investments Proprietary Limited.*
● City Lodge Hotels Limited owns 0.01%.
■ City Lodge Hotels Limited owns 1%.

Operating environment

The Covid-19 pandemic, which reached Africa early in 2020, has shaken the hospitality ecosystem to its core. Widespread lockdown regulations halted global travel and resulted in one of the hotel industry's most devastating periods in recent memory. This featured record low occupancy levels and unprecedented hotel closures across the world.

However, hope and optimism are returning. In international markets, including the United States (US) and United Kingdom (UK), the vaccine rollout is resulting in increased business confidence and a greater appetite for travel.

MACROECONOMIC SNAPSHOT

Global overview

The International Monetary Fund (IMF) estimates that global GDP declined by 3.5% in real terms in 2020. The measures taken worldwide to contain the spread of the virus accelerated certain long-term and emerging trends in global production, trade, finance and investment.

The IMF projects 5.5% global economic growth in 2021, followed by 4.2% in 2022. Optimism stemming from the rollout of Covid-19 vaccines supports this improved outlook, although the impact of renewed waves of infection and new variants of the virus have dampened expectations.

South African economy

The already fragile South African economy, which had been experiencing recessionary conditions since late 2019, was hit hard by the Covid-19 pandemic.

Real gross domestic product (GDP) declined by 6.4% in 2020 and household spending also decreased. A steep drop in disposable incomes, massive job losses, high debt levels, reduced appetite for new credit, and low sentiment all contributed to the loss. As the crisis unfolded, the SA Reserve Bank steadily reduced the repo rate by 300 bps to its current 3.50% peg, the lowest in almost 50 years.

Having recovered somewhat in the fourth quarter of 2020 with lockdown restrictions having eased, business confidence fell again in the first quarter of 2021 with the new wave of infections. This third wave, compounded with the rioting, violence and looting that shocked the country in July 2021 further exacerbated the situation. Nevertheless, South Africa expects slightly improved economic growth in 2021.

Beyond South Africa

All economies where CLHG operates were impacted by Covid-19, with hospitality and tourism being the worst affected. Lockdown measures and travel restrictions in all operating territories resulted in decreased occupancies for the year.

Botswana

Our Botswana Town Lodge is situated close to the airport in Gaborone and provides a superb bed and breakfast offering, operated by a local staff complement. The Town Lodge services the domestic corporate market, as well as government employees. Its access to Botswana's corporate market is a strength, resulting in consistent performance from Mondays to Thursdays but weekend occupancy tends to be lower.

As a result of reduced global demand, strict travel restrictions and social distancing measures, Botswana's estimated real GDP contracted by 7.9% in 2020 (its largest drop on record). These factors caused diminished activity in key production and export sectors, such as the diamond industry and tourism.

Town Lodge Gaborone was placed on temporary suspension of services (TSOS) on 1 April 2020. Movement restrictions were eased on 26 May 2020 – we subsequently reopened the Town Lodge Gaborone and have seen a steady improvement in occupancies. However, we experienced a dramatic decline in government business due to the suspension of travel and conferencing. In many instances, virtual meetings have replaced in-person ones due to budget constraints.



Namibia
Our Town Lodge in Namibia, which opened in 2017, is situated in Windhoek with easy access to the airport, CBD and various entertainment facilities. The hotel primarily services the corporate market during the week and attracts leisure clientele from Namibia's tourism industry over weekends.

Namibia's GDP contracted by 7.4% year-on-year in the first three quarters of 2020, partially due to a massive 46.5% contraction of the hospitality and tourism sectors.

Namibia's trading picture saw a similar trend to South Africa's in terms of the impact of lockdowns and resurgent waves, as South Africa is its main source market.

Mozambique
The launch of City Lodge Hotel Maputo in Mozambique was more challenging than anticipated. After encountering several building and development delays, the hotel opened just as the Covid-19 pandemic spread to southern Africa. Hotel operations were suspended for most of 2021 but are being reopened based on demand and the country's regulations. We foresee its future growth being driven by both domestic and international business travel.

The pandemic disrupted Mozambique's extractive industries and tourism, leading to business closures and deeper unemployment that reduced GDP by 2%. This was amplified by an armed insurgency in the country's northern region, which curtailed major liquefied natural gas (LNG) projects. Development work has slowed down or is being postponed indefinitely. Mozambique's economy is expected to recover gradually, with growth expected to rebound to 4% by 2022.

Kenya
Our Kenyan properties include the Fairview Hotel, City Lodge Hotel at Two Rivers Mall and Town Lodge Upper Hill, all three situated in Nairobi. The Town Lodge is located on the same property as the Fairview Hotel, providing maximum convenience, comfort, safety, and the benefits of shared business and leisure facilities. City Lodge Hotel at Two Rivers Mall is located at Runda, on the outskirts of Nairobi, in the biggest mixed-use development and shopping mall in East and Central Africa. All our Kenyan hotels have easy access to business and leisure destinations in this busy city.

Fairview Hotel operated throughout the various waves of Covid-19 and, under the circumstances, maintained reasonable occupancy. The team attracted new clientele by adding new services, including offering a pathology laboratory the opportunity to conduct PCR testing at the hotel to in-house guests and groups travelling during the pandemic. Furthermore, this four-star hotel with its range of restaurants, venues and accommodation is known for a diversified food and beverage offering and bespoke events. During the pandemic, Fairview Hotel became an events destination of choice, hosting several weddings. Our other Kenyan hotels are temporarily closed and have reopened for short periods during the pandemic to accommodate some groups.

Over and above Covid-19's impact on many economic activities, tourism in particular, a regional locust plague added to the country's economic woes, resulting in a GDP contraction of 0.3% in 2020. While several economic recovery initiatives are currently underway, recovery in the hospitality sector is likely to be slow.

Tanzania
City Lodge Hotel Dar es Salaam in Tanzania is conveniently located in the Ilala area of the city. This modern property is close to both the airport and the city centre and offers upmarket facilities for business and leisure travellers. Tanzania fared relatively well compared with its regional peers, with occupancy rates remaining fairly stable, albeit at low occupancy levels.

Economic growth slowed significantly following the outbreak of Covid-19. The country's GDP growth fell from 5.8% in 2019 to an estimated 2.0% in 2020, with per capita growth turning negative for the first time in more than 25 years. The hospitality sector in this country relies strongly on international business travel, which is anticipated to be slower to recover.

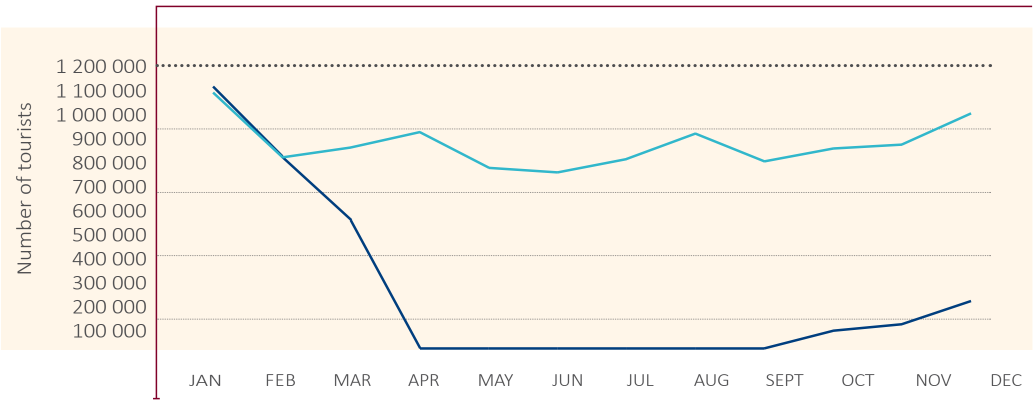
COVID-19 AND ITS IMPACT ON HOTELS
The continuously changing Covid-19 landscape, both in terms of the pandemic itself and governmental responses to it, created a complex operating environment. Lockdown requirements became more stringent as each wave of infections swept through, being relaxed again as case numbers fell. Hotels had to respond flexibly while significantly adjusting their operating procedures to ensure guest safety and compliance with relevant protocols.

Operating environment continued

Covid-19 in South Africa

27 March 2020	The **national lockdown** was implemented in South Africa. Alert Level 5 restrictions are particularly stringent, banning inter-provincial travel and alcohol sales.
April to June 2020	Six of CLHG's hotels reopened to host essential workers and repatriated citizens.
1 May 2020	A gradual and **phased easing of the lockdown** restrictions began, with the country reaching Alert Level 1 on 21 September 2020. CLHG reopened hotels in a phased approach, as demand dictated.
December 2020	South Africa experienced a **second wave** of Covid-19 infections. The lockdown was tightened to Level 3.

Number of tourists by month and year of travel, 2019 and 2020 (source: Stats SA)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
2019	1 068 190	797 181	838 696	903 059	753 517	734 554	790 187	896 978	780 381	834 275	850 537	981 038
2020	1 093 268	800 815	535 094	0	0	0	0	0	0	73 988	101 096	198 059

Month of travel

As seen from these figures, the hospitality industry experienced an extreme decline in demand during 2020, compared to 2019.

17 February 2021	The national Covid-19 **vaccination programme** officially commenced.
31 May 2021	South Africa experiences the **third wave** of infections.
28 June 2021	South Africa moved to Adjusted Level 4, with the **Delta variant** quickly becoming the dominant strain in the country. As lockdown tightened once again, CLHG temporarily suspended services at some hotels.
October 2021	South Africa has returned to **Adjusted Level 1**, with daily new infection cases below 1 000. The majority of the international source markets have removed South Africa from their 'no-fly' and 'red' lists. By mid-October 2021, 17% of the population, or 10.2 million people, have been fully vaccinated.

Although lockdown restrictions changed continually in response to infection numbers, the hospitality sector is particularly vulnerable to the restrictions below, which were more or less stringently applied as South Africa moved through lockdown levels:

Impact on guests	Impact on travel
• Guests are required to wear masks at all times in public areas and when interacting with staff. Regular sanitising is encouraged and sanitisers are placed in key locations across the hotel. • Fitness, conference and meeting rooms were closed to guests during the strictest lockdown levels when gatherings were not allowed. The same was true for restaurants, bars and patio areas, which also had to be closed to guests during more restrictive levels of lockdown. Alternative ways of providing guests with meals safely was implemented during this time. Alcohol sales in restaurants and bars have been similarly restricted from time to time, in line with changing government regulations.	• National curfews restrict the night time movement of guests • Limitations on international and interprovincial travel when infection rates spiked • Intermittent closure of public and private schools.



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When travel restrictions, alcohol bans and curfews are in place, revenues for hotels and resorts are impacted. In many instances, a temporary closure of the hotel is more viable than running it at a significant loss. To track CLHG's occupancy during the financial year, see page 28.

HOSPITALITY AND TRAVEL TRENDS

The pandemic caused significant changes in both the consumer and business environments and will continue impacting hotel business strategies long after the threat of Covid-19 recedes. Recent changes in consumer behaviour and travel habits include large-scale digital adoption. A consumer survey for Skift and Oracle's 2020 Hospitality Recovery report found that more than 68% of travellers expected 'self-service and contactless check-in options' for future hotel stays. Technology can heighten a guest's experience of luxury and convenience while unlocking efficiencies for the hotel.

The way that hotels operate and serve guests has also changed. Many travellers will only book accommodation when they trust that health and hygiene policies are in place, often favouring accommodation with stringent sanitisation and screening procedures. CLHG received the seal of the World Travel and Tourism Council (WTTC) Safe Travels – the first group in South Africa to receive the stamp. The group consequently updated our food, amenities and service offerings in line with new health and safety considerations. Health and safety enhancements are communicated through our website, social media platforms, media outlets and at the hotels. Easy access to sanitisers, mandatory mask wearing and screening on entry encourages safe behaviours at all our hotels.

Consumer work and leisure habits have also shifted. In November 2020, an analysis by McKinsey & Company estimated that as much as 20% of the global workforce may continue to work from home even after the pandemic. This points to a significant adjustment in how those employees plan their vacations and business travel and how they will select accommodations. People may look to book longer trips that combine work and pleasure, more than they ever did before. The trend is also towards localised travel, which is easier, safer and often more sustainable for the guest. CLHG experienced evidence of both these trends. The group is, in particular, accommodating a growing number of guests who live as close as 5km from their CLHG destination and are simply looking for a change of scenery. Durban has grown in popularity because of it being easily accessible by road from much of South Africa. Air travel is perceived as carrying a higher risk of infection than road travel.

In line with pre-Covid-19 trends, the group expects to see a more eco-conscious mindset in 2021 and beyond. The pandemic sensitised people to their impact on the environment and local communities. These changing attitudes are filtering into the way travellers choose their hotel, guests prioritise those with eco-friendly construction, energy saving and good waste management practices. In response, CLHG continues to advance in its sustainability journey by exploring both minor and major methods of reducing our carbon footprint, while improving operational efficiencies to save resources. The new hydration stations and the all-new amenities range at our hotels limit single-use plastic waste-to-landfill.

These types of strategic operational adjustments are critical at a time when the hospitality industry must do more with less.

THE COMPETITIVE ENVIRONMENT

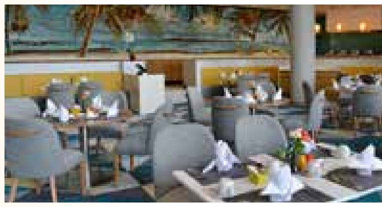
The African hotel market is fragmented and highly competitive, with the group facing competition on various fronts. However, not all our competitors were fortunate enough to survive the strain of the pandemic. Many private hosts removed their properties from the market and some financially distressed hotels and lodges closed. The competitive benefits for those remaining open have not been immediately visible because of the sharp decline in travel and tourism. Hotel groups like CLHG will no doubt reap the reward once demand returns to full strength.

With that said, a few new hotels opened in and around central business districts, including Sandton in Gauteng and Cape Town in the Western Cape. When demand returns, the competition for guests, labour and revenue is likely to be fierce. Hotels will need to be innovative to remain sustainable.

Key relationships

Engaging with our stakeholders and understanding their requirements and concerns is critical to helping our company identify its most material issues.

Stakeholder	What is important to them
Guests	• Health and safety in the face of Covid-19 • Quality product offering • Loyalty programmes • Efficiency and convenience • Consistent service delivery • Value for money • Listening to their needs
Employees	• Health and safety • Job security • Fair remuneration • Performance management • Engagement • Attractive career path • Safe working conditions • On-the-job coaching and training
Government	• Tax revenues • Compliance with legislation • Advancing transformation • Job creation • Investment in the country • Supporting communities • Reducing consumption of natural resources
Shareholders	• Corporate governance and ethical leadership • Growth and expansion opportunities • Level of gearing • Return on investment • Dividends
Suppliers	• Consistent demand and timely payment • Fair treatment
Communities	• Sponsorships • Bursaries and leadership • Investment in disadvantaged communities • Volunteer days • Responsible consumption
Media	• Honest, transparent communication



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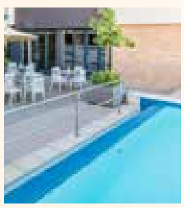

Information gathered as part of our various stakeholder engagement processes, feeds directly into decision-making, and drives our business strategy.

How we address stakeholder interests

- Direct guest engagement with hotel management and staff
- Direct messaging platform available to guests on their own devices before and during their stay
- Online check-in, and contactless ordering and information sharing
- Client liaison with corporate and travel industry customers
- Market trends and pricing research
- Loyalty rewards
- Individual preferences noted for regular guests
- Guest satisfaction questionnaires

- Staff meetings
- Performance appraisals
- Employment equity forums
- Labour union meetings
- Mentoring
- Formal and informal training programmes
- Regular assessment and maintenance of Occupational Health and Safety Standards
- Employee Assistance Programme

- Industry forums
- Commenting on proposed legislation
- Input to consultation processes
- Monitoring and reduction of natural resource consumption
- Participation by the COO as Chair of the Transformation Tourism Council of South Africa (TTCSA) and board member of South African Tourism. Members of the group's Exco also participate in other industry forums

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- In-depth feasibility studies for investment decisions
- Engagement through investor roadshows, one-on-one meetings and the AGM
- Operating according to the highest corporate governance standards
- Providing attractive returns on investment
- Capital efficiency
- Consistently generating sustainable profits

- Building lasting relationships
- Engaging openly
- Maintaining regular payments within agreed terms

- Active citizenship
- Participation in community forums
- Maintaining policies for responsible consumption and ethical practices

---

- Regular press releases and industry commentary
- Providing access to organisational leadership
- Public relations to facilitate and monitor media activities

Business model

Inputs

Financial Capital

We use a combination of debt and equity funding for business operations, including running costs, property refurbishments, maintenance and strategic acquisitions:

- Operating cash flow
- Debt funding
- Equity funding

Manufactured Capital

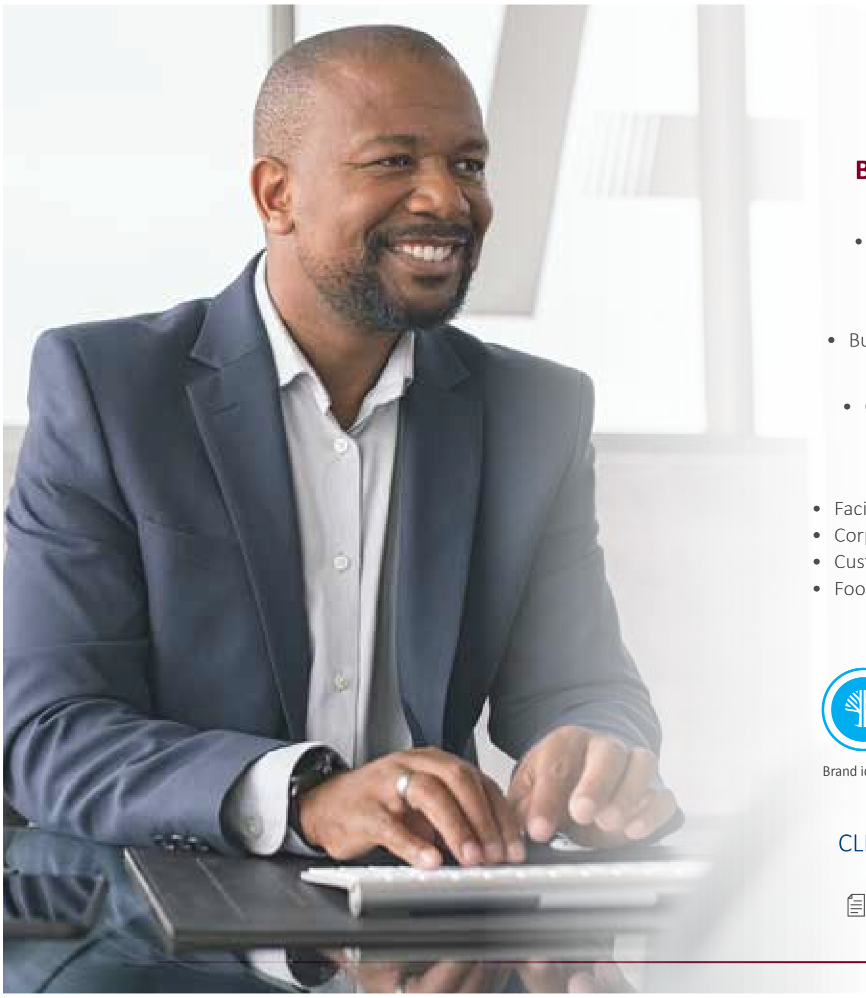
Our brick-and-mortar properties, where our business is conducted and guests enjoy unforgettable experiences:

- 63 hotels
- 8 070 rooms
- Furnishings, décor, hospitality and catering equipment
- Technology

Intellectual Capital

Our intellectual capital includes our brands, supported by a wealth of in-house industry knowledge:

- Strong brand reputation
- Operating systems
- Policies and procedures
- Trademarks



Business activities

CLHG's business activities are guided by our Vision and Values

*Refer to pages **4** and **5** for a detailed breakdown*

BUSINESS ACTIVITIES AND PROCESS

Seek hotel opportunities

- Identifying new locations for hotels, or find existing properties needing fresh vision and management

Develop or refurbish hotels

- Build new hotels or refurbish and maintain existing hotels

Operate hotels

- Own/lease and manage hotels as per brand strategies

Perform hotelier operations and functions

- Facilities management
- Corporate governance
- Customer relations
- Food and beverages
- Information technology (IT)
- Human resources (HR)
- Marketing and sales

STRATEGIC FOCUS AREAS

Brand identity | Consolidation | Transformation | Environmental sustainability | Information technology

CLHG's business activities are underpinned by sound corporate governance practices

*Refer to pages **66** and **81** for the detailed governance report*

Human Capital

Our people are the primary interface with our guests and custodians of the CLHG guest experience:

- Permanent employees
- Part-time employees
- Formal and on-the-job training

Social and Relationship Capital

Our relationships with guests, stakeholders, employees, communities, government and regulators:

- Proactive relationship with stakeholders to promote a shared value proposition built on our brands
- WOW programme for service excellence
- Prioritising stakeholder groups for targeted interactions
- Corporate social investment (CSI) initiatives

Natural Capital

Our business activities depend on natural resources, particularly:

- electricity
- water
- land

Outputs

• Revenue: **R508 million** • Total impairments: **R417 million** • Investment to expand operations: **R74.6 million** • Investment to maintain operations: **R2.7 million** • Total dividends declared per share: **nil**	• Cash flows • Return on capital employed • Investment returns • Expansive sub-Saharan geographic footprint • Tax contributions • Economic benefits to communities and organisations, vendors and suppliers
• Average group occupancies – all hotels **19%** – open hotels **26%** • Average SA occupancies – all hotels **21%** – open hotels **28%** • Investment in the new Courtyard Hotel Waterfall of **R57.5 million** • Improved Wi-Fi offering, refreshed website and technological reliant guest services' enhancements • Hotel accommodation • Conferencing • Restaurants • Bars	• Continue to maintain high standards of product quality through rigorous refurbishment strategy when operations return to normal • Investment to expand operations – Courtyard Hotel Waterfall City opened in March 2021 • Technology and process upgrades to improve guest and employee experiences • Refreshed offerings maintain competitive advantages • Roll out of solar power generation capabilities at 25 hotels, with more planned
• BI and innovation • Accurate forecasting for BAR • Effective sales and marketing • Operating efficiencies • Quality value offerings • Awards	• Resource efficiencies – people, costs and systems • In-house innovation, including the use of AI to predict demand, resulted in improved rate yielding • Ability to create competitive offerings in response to changing industry demands
• Excellent service and hospitality • Health and safety • Employment equity • Broad-based black economic empowerment (transformation)	• A qualified, experienced and motivated workforce • Employees are engaged and developed in line with a high-performance environment • Employee wellness offerings were enhanced • Transformation and employment equity planning continued on schedule
• Average customer satisfaction score of **92.8%** • Enterprise and supplier development • Socio-economic development • CSI spend of **R1.2 million**	• Strong brands and solid reputation • The trust and respect of our stakeholders • Customer value and satisfaction • Brand loyalty • Creating opportunities for local enterprise development • Delivery of long-term value for communities • Social licence to trade
• Reduced carbon footprint • Water consumption **312 112 kℓ** • Energy consumption **17.7 million kWh** • Renewable energy generated **1.8 million kWh** • Single-use-plastic-free amenities • Hydration stations at almost all hotels	• Enhanced levels of environmental awareness across group • Reduction in scarce resources (e.g. water) used • Management of activities that cause carbon emissions • Environmental impacts on energy consumption, water consumption, waste generated and recycled

GROUP AT A GLANCE
LEADERSHIP REVIEW
STRATEGIC REVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS

Who governs us

Our custodians of governance

FRANK KILBOURN
Lead independent non-executive director

DEON HUYSAMER
Independent non-executive director

BULELANI NGCUKA
Chairman

ANDREW WIDEGGER
Chief executive officer and executive director

SIZAKELE MARUTLULLE
Independent non-executive director

The board members accept responsibility as the custodians of corporate governance in the group and are accountable to stakeholders for providing value-enabling governance. The board is constituted in terms of the company's Memorandum of Incorporation (MoI) and in line with King IV. The majority of the board members are independent non-executive directors who bring diversity to board deliberations and create sustained value by constructively challenging management.

BULELANI NGCUKA
67
BProc, LLB, MA (Webster University, Geneva, Switzerland)

Appointed to the board
in 2008

Skills and expertise
Legal and general business expertise

Serves on the boards of the following companies:
CSG Holdings Limited (chairperson)

Other:
Vuwa Investments Proprietary Limited
Menzies Aviation (South Africa) Proprietary Limited
Amadlelo Agri Proprietary Limited
BetterGroup Limited
Leapfrog Property Group Proprietary Limited

FRANK KILBOURN
60
BCom, LLB, BA Honours (Philosophy, cum laude), HDip (Tax), LLM

Appointed to the board
in 1996

Skills and expertise
Areas of expertise include legal, finance, corporate finance, private equity, venture capital, empowerment, investment, mining and tourism

Serves on the boards of the following companies:
Bright Resources Investments Proprietary Limited
Manganese Metal Company Proprietary Limited
Fast Communication Systems Proprietary Ltd (chairperson)
Genii Analytics Proprietary Ltd (chairperson)
Strauss & Co (executive chairperson)

GEORGE (DEON) HUYSAMER
58
BA LLB

Appointed to the board
in 2015

Skills and expertise
Areas of expertise include legal, management, management consulting, corporate finance, investment analysis, stockbroking, wealth management, tourism and nature conservation

Serves on the boards of the following companies:
The MAD Leadership Foundation
Eco Children NPC (chairperson)
Klaserie Private Nature Reserve (chairperson)

ANDREW WIDEGGER
55
Chartered Accountant (SA)

Appointed to the board
in 1994

Skills and expertise
Areas of expertise include accounting, finance and management, property development and operations within the hotel industry

DR SIZAKELE MARUTLULLE
52
PhD (Critical Diversity Studies), MA (Sociology)

Appointed to the board
in 2016

Skills and expertise
Areas of expertise include brand strategy, business strategy, leadership, operations, diversity, management, tourism, financial services and enterprise growth

Key:
- Member of audit committee
- Member of remuneration and nominations committee
- Member of social and ethics committee
- Member of risk committee



NDUMI MEDUPE
Independent non- executive director

STUART MORRIS
Independent non-executive director

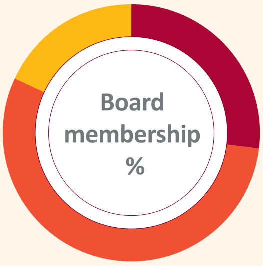
LINDIWE SIDDO
Chief operating officer and executive director

VINCENT RAGUE
Independent non-executive director

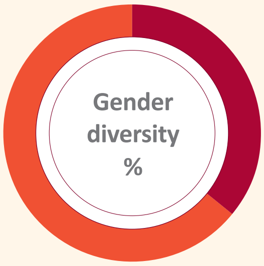
DHANISHA NATHOO
Chief financial officer and executive director

STEPHEN ENDERLE
Non-executive director

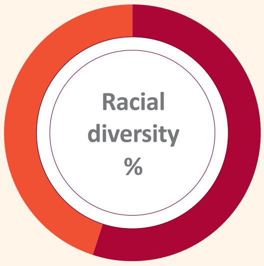




Executive	27
Independent non-executive	55
Non-executive	18



Female	36
Male	64



Black	55
White	45

NONDUMISO (NDUMI) MEDUPE
50
Chartered Accountant (SA)

Appointed to the board in 2006

Skills and expertise
Areas of expertise include audit, risk, strategy and sustainability

STUART MORRIS
75
BCom, Chartered Accountant (SA)

Appointed to the board in 2006

Skills and expertise
Areas of expertise include strategy, finance, audit, risk, accounting, tax, compliance, human resources and general management

Serves on the boards of the following entities:
Rolex Watch (South Africa) Proprietary Limited

LINDIWE SIDDO
54
Dip (Hotel Management), BSc (Penn State University)

Appointed to the board in 2018

Skills and expertise
Areas of expertise include management, transformation and operations within the hotel industry

Serves on the following companies:
South African Tourism
Tourism Charter Council (chairperson)

VINCENT RAGUE
68
BA Honours (Economics and Statistics)

✻

Appointed to the board in 2016

Skills and expertise
Areas of expertise include banking, investment, project and corporate finance

Serves on the following companies:
Catalyst Principal Partners: Financial Sector
Deepening Africa
Pan-Africa Infrastructure Development Funds
Jambojet
MTN

DHANISHA NATHOO
43
Chartered Accountant (SA)

Appointed to the board in 2020

Skills and expertise
Areas of expertise include accounting, finance, management, real estate finance, business operations and banking

STEPHEN ENDERLE
45
BCom, CFA charterholder, MBA (INSEAD)

#

Appointed to the board in 2020

Skills and expertise
Areas of expertise include executive and non-executive experience gained with various South African and international companies across a range of sectors, including hospitality, banking, finance, commodities and property

Serves on the following companies:
Enderle International Limited (British Virgin Islands)
RBH Hotel Group Limited (United Kingdom)
Redefine Hotel Holdings (British Virgin Islands)
Tradition S.a.r.l. (Luxembourg)

■ By invitation – audit committee ● By invitation – remuneration and nominations committee
✻ Kenyan # Swiss and South African

Who leads us

Executive Committee members

ANDREW WIDEGGER
Chief executive officer

DHANISHA NATHOO
Chief financial officer

TONY BALABANOFF
Divisional director – operations

NEDA SMITH
Divisional director – information technology

LINDIWE SIDDO
Chief operating officer

ANDREW WIDEGGER	DHANISHA NATHOO	ANTHONY (TONY) BALABANOFF	NEDA SMITH	LINDIWE SIDDO
55	43	61	50	55
Chief executive officer	Chief financial officer	Divisional director – operations	Divisional director – information technology	Chief operating officer
Chartered Accountant (SA)	Chartered Accountant (SA)	BTech (Hospitality Management), Advanced Management Programme (Cornell)	BSc Computer Science, CCIE	Dip (Hotel Management), BSc (Penn State University)
28 years with the company	**20 months with the company**	**35 years with the company**	**Four years with the company**	**Six years with the company**

MARCEL KOBILSKI
Divisional director – human resources

NAYNESH PARBHOO
Divisional director – financial

ROSS PHINN
Divisional director – operations

ZUKI JANTJIES
Divisional director – sales and marketing

MELANIE VAN HEERDEN
Group company secretary

MARCEL KOBILSKI	NAYNESH PARBHOO	ROSS PHINN	JAQUELINE (ZUKI) JANTJIES	MELANIE VAN HEERDEN
57	48	50	50	46
Divisional director – human resources	Divisional director – financial	Divisional director – operations	Divisional director – sales and marketing	Group company secretary
Dip (Hospitality Management) BBA	Chartered Accountant (SA)	Dip (Hotel Management) CHA	HNDip Business and Finance (Nottingham Trent University), BA Honours (Business Studies)	BCom LLB
25 years with the company	**23 years with the company**	**24 years with the company**	**Four years with the company**	**16 years with the company**

Leadership Q&A

Moving towards long-term sustainability

The leadership team shares its insights on the 2021 financial year, and how the group is rejuvenated and working toward long-term sustainability through ongoing innovation.

In times as turbulent as these, the balance between short-term liquidity and investment in opportunities that support long-term sustainability is more nuanced than ever. In this interview, the leadership team outlines the trade-offs that brought CLHG to its current state of stability.

WHICH KEY EVENTS STOOD OUT THIS YEAR?

FY2021 was, by far, one of the most difficult periods in the group's 36-year history. The Covid-19 pandemic, fuelled by ever-more infectious variants of the virus, regularly shut down countries, regions and economic sectors across the planet. While all industrial sectors were impacted by the pandemic, many negatively and some positively, its impact on the hospitality sector was particularly brutal. International and domestic tourism dropped to a trickle, severely disrupting all our markets.

South Africa, as CLHG's base of operations and largest market, was subject to lockdown restrictions that oscillated between Level 5 in March 2020, during which all the country borders were closed and interprovincial travel was halted, to the considerably less arduous Level 1. The country endured three waves of infection, each worse than the previous one. The repeated closure of restaurants, combined with a curfew, movement restrictions and the ban on alcohol sales, limited demand for our hotels and venues, which ebbed and flowed under the level of lockdown restrictions.

Our other southern African geographies mimic South African hospitality to a degree, as much of their travel demand originates from this country. However, our Kenyan and Tanzanian properties in East Africa are more reliant on travel from Europe and North America. International travel is expected to take longer to recover in this region.

WHAT WERE YOUR MOST IMPORTANT STRATEGIC ACHIEVEMENTS?

Our Covid-19 rapid response team, consisting of exco and senior management members, was fundamental to the group's ongoing operability. This team was responsible for ensuring that CLHG remained nimble and responsive in the face of the pandemic and has matured into a smooth running and agile entity.

However, waves of Covid-19 infections directly impacted our revenues. When cases subsided, CLHG hotels reopened and the group gathered momentum as occupancies increased. By end June 2021, for example, 50 out of 56 CLHG hotels in South Africa were open again. Future waves of Covid-19 infections are expected to once again close or restrict our hotels for periods of time. 53 South African hotels were open at the time of publishing this report.

When operations slowed, we used the opportunity to explore and implement improvements to the CLHG business model, operations, messaging, and pricing methodology.

With health and safety highlighted by the pandemic, CLHG used innovative technologies to introduce a contactless environment for our guests. QR codes replaced our paper-based menus and information pamphlets, while the new and improved iteration of the City Lodge mobile application now enables guests to check in and complete their Covid-19 screenings online. At our new Courtyard Hotel Waterfall City, room doors, air conditioners and televisions are now controllable by mobile phone.

Our back of house focus shifted to yield and revenue management. The group's customer relationship management system (CRM) is individualising the customer experience for each guest and provides us with valuable data on guest experiences. Our new CLHG artificial intelligence (AI) predictive demand analysis tool merges insights from the CRM and BI with external information to inform our Best Available Rate (BAR) methodology.

Methods of expanding our share of the guest wallet were explored. For example, we give guests more reason to stay safely at our hotels rather than heading out for meals. In addition to our excellent breakfasts, we launched a gourmet pizza offering at all four hotel brands in South

BULELANI NGCUKA
Chairman

ANDREW WIDEGGER
Chief executive officer

LINDIWE SIDDO
Chief operating officer

DHANISHA NATHOO
Chief financial officer

Africa and enhanced our Eat In bar snack options at Town Lodges and #Cafe restaurants in City Lodge Hotels. We also refreshed the lunch and dinner menus at City Lodge Hotel and Courtyard Hotel restaurants. CLHG's incoming General Manager: Operations (Food and Beverage), Trevor Boyd, brings 25 years of master chef experience to the management team and is tasked with making the most of culinary trends using our existing catering infrastructure.

All of these factors have helped us to target our pricing and marketing more accurately, remaining conscious that domestic travel will recover more quickly than international travel. Business travel is resuming as organisations realise that the pandemic is unlikely to end soon and vaccinations are becoming more prolific.

We remain committed to helping our communities and the challenging economic environment did not preclude our social investment initiatives. CLHG hotels in Sandton and the CBD node of Johannesburg donated bedding, towelling, crockery, and amenities to the value of nearly R228 000 to the Emthonjeni Community Centre in Zandspruit, Johannesburg.

HOW ARE YOU MANAGING YOUR BRANDS AND HOTELS?

Opening the new Courtyard Hotel Waterfall City was an enormous milestone in our journey towards a revitalised brand and service offering. Launching this hotel during the pandemic demonstrates our confidence in the future of South Africa. It also shows confidence in the growing destination appeal of the Waterfall City precinct with the Mall of Africa and major corporate head offices as anchor tenants. This upscale hotel also showcases CLHG's strategic trajectory towards additional services, technological innovations, new bespoke food and beverage offerings, refreshed design elements, and Green Star building rating.

At the same time, we are evaluating each hotel's performance, especially those that were underperforming before the pandemic. Certain assets were rebranded to align with the target market demographics and preferences. Others may be repurposed or sold. We are exploring all avenues to returning our assets to profitability, including hotel-specific marketing and branding campaigns.

HOW DID THE COVID-19 ENVIRONMENT AFFECT THE GROUP'S PERFORMANCE?

While new initiatives mitigated the effects of Covid-19 to a degree, the group was still hit hard by the industry-wide impact of the pandemic. Our average occupancies across open hotels for the year was 26%, compared to 38% in 2020 and 55% in 2019. The average occupancies of hotels that could open were 26%.

This resulted in a substantial decline in revenues to R0.5 billion (FY2020: R1.16 billion), with the group incurring a net loss of R804.6 million (2020: R486.6 million) for the year.

To bolster the group's liquidity, CLHG completed a rights offer in August 2020. This provided a R1.2 billion cash injection to settle maturing debt in the B-BBEE SPVs and provide necessary liquidity to support the working capital requirements of the group during low-levels of operational activity brought on by the Covid-19 pandemic. Post year-end, the sale of our four hotels in East-Africa will provide welcome working capital and shorten the road to profitability.

Leadership Q&A continued

Our employees remain our most important assets and we are relieved to have avoided retrenchments. Salaries continued to be paid, albeit at a reduced rate. The board regularly reviews the salary reductions to consider any further increases as the economic recovery sustainably improves. To support our people, we made mental health and wellbeing counselling available to all employees, and the newly-launched in-house Facebook group has grown into a fun and supportive community platform.

WHAT ARE YOUR STRATEGIC PRIORITIES OVER THE SHORT AND MEDIUM TERM?

Regaining profitability remains CLHG's primary priority and challenge. The group's current overarching theme, 'getting back to living', is about welcoming our guests back and communicating the positive aspects of the 'new normal' hospitality experience. Our new AI tool has been rolled out to 25 of our hotels – we aim to expand this number to 50 soon, pending the speed and accuracy of machine learning. The group is already reaping rewards in the form of improved actual room rates.

In the interim, CLHG is using the opportunity to continue strengthening our operational processes and governance. As an example, cyber-security is prioritised as a growing risk in an increasingly virtual world, with many of our central office staff still working from home.

Transformation also remains a key focus area, especially in light of our previous B-BBEE ownership structure being unwound during the rights offer process. While there is no immediate action to reinstate a new B-BBEE ownership structure, the group will evaluate and consider a new B-BBEE ownership structure over the medium term. We have re-emphasised transformational skills development, procurement and management control as B-BBEE priorities.

WHAT DO YOU EXPECT IN THE FORTHCOMING YEAR?

In a year characterised by highs and lows, our highs may not yet have resulted in profitability, but we are encouraged by how quickly occupancy rates bounce back each time infection rates decline. Stifled wanderlust periodically results in small surges of travel as lockdown restrictions ease, indicating that latent demand remains strong. We are optimistic that local and international vaccination rollouts will steadily restore confidence in leisure and business travel and regrow our occupancy levels. At the time of publication, South Africa had extended its vaccination campaign to include everyone over the age of 18 and young adults are proving eager to receive the vaccine.

At the same time, successful vaccination programmes in North America, Europe and parts of Asia are already driving increased international travel, although the advent of the Covid-19's Delta variant was a temporary setback, as will hopefully be the case with other emerging mutation or variants. If African governments, including South Africa's, can implement clear guidelines for safe travel from overseas that recognise vaccinated travellers, we could benefit from a spike in pent-up demand from early on in southern Africa's summer season. The group is ready to make the most of any upswing. Nevertheless, our occupancy levels still depend on the success of the Covid-19 vaccine rollout in our markets and the length and severity of future waves of infection.

WHO STOOD OUT FOR YOU IN THIS YEAR OF CRISIS?

We were encouraged by the resilience and innovation of our people and their willingness to do whatever was necessary to keep our guests satisfied. We encounter amazing stories daily of people caring for people, both guests and colleagues. Our Rate Us guest satisfaction questionnaires are returning higher satisfaction scores than before the pandemic, demonstrating how well our customer-facing staff stepped up. We also applaud our central office and support staff for so quickly adapting to the remote working environment and for always being available to deal with the curveballs that came their way. Our Covid-19 rapid response team kept the group responsive to the changing realities of the pandemic. As a leadership team, we are unbelievably proud of our CLHG family.

At the same time, CLHG commemorates with deep sadness the people we lost to the pandemic: Megan Kinsey, Mandi De Wet, Clencinah Malego Malesa, and Rose Mathabathe. We are also heartsore for staff members who contracted the virus, sometimes en route to work in a taxi or bus. Some of our colleagues suffered from 'long Covid' for weeks after the fact. We extend our sympathy to those who lost loved ones.

We are comforted by the support from our external stakeholders. Our guests have shown remarkable loyalty and understanding while we updated our processes to align with Covid-19 protocols and implemented innovations. We are grateful for the trust placed in us to provide them with a safe accommodation environment.

The support from our shareholders was overwhelming. They stood by us and their generosity during the rights offer process demonstrates faith in CLHG and our prospects.

Our suppliers also assisted us through this rough period. Flexible payment terms and quick responses to our changing requirements helped to keep the group operating at peak efficiency.

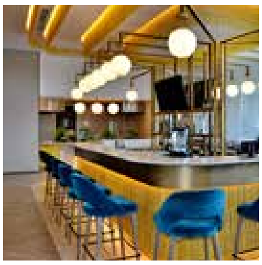
We acknowledge the faith placed in us by all our stakeholders, whether employees, shareholders, guests, suppliers or communities. On behalf of CLHG, we look forward to sharing the journey ahead with you as we all get back to living through the ups and the downs, with the confidence that we will come out stronger on the other side.

It's our pleasure to welcome you

Step into our stylish new Courtyard Hotel Waterfall City in Midrand, which opened on 1 March 2021, and takes the brand in a fresh and exciting new direction, merging contemporary with timeless design.

This four-star brand captures the essence of South African contextual elements merged with a subtle Art Deco feel. The hotel embraces a richness of layers, details and textures, while remaining functional and transitioning from a light-filled cosmopolitan space, ideal for daytime meetings, into a night time venue where lighting shifts to create a moodier atmosphere.

Photo credits:
Sarah de Pina - Photography



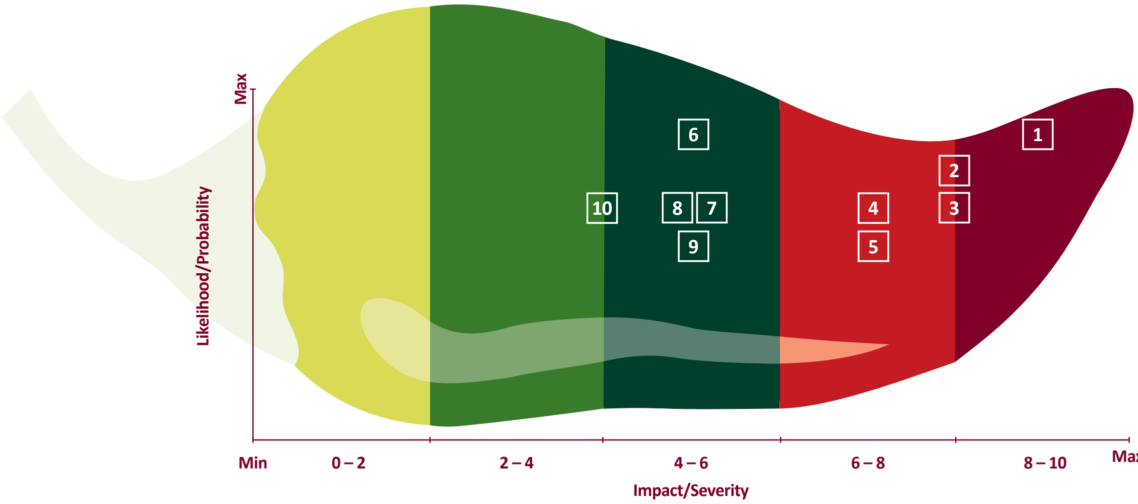
Our local talent is showcased throughout the public areas, creating timeless aesthetics in this beautiful 168 room hotel. There is synergy between technology, sustainability and design, to create an unforgettable guest experience.

Key risks and opportunities

RISKS OVERVIEW 2021

Most of the risks that could significantly impact CLHG's ability to create value in the short, medium and long term originate from the external environment. While these external risk factors are largely beyond our control, we constantly monitor and take steps to manage their actual or potential impacts. Where we can play a role in improving the status quo, such as in regulatory processes that may impact hospitality and/or tourism as a whole, we participate energetically and purposefully.

Needless to say, the uncertainty of how the post-lockdown environment will impact our markets and influence consumer spend, makes planning and forecasting challenging in the current environment.



Rank	Risk	Impact/ Severity	Likelihood/ Probability
1	Covid-19 pandemic and regulations	9	9
2	Travel demand and accommodation over-supply	8	8
3	Funding constraints	8	7
4	Socio-economic environment	7	7
5	Loss of market share	7	6

Rank	Risk	Impact/ Severity	Likelihood/ Probability
6	Transformation	5	9
7	Pricing strategy	5	7
8	IT security	5	7
9	Compliance	5	6
10	Essential municipal services	4	7

OUR TOP RISKS 2021

Rank and movement from the previous year	Risk	Description	Mitigating measures
1 ↑	**Covid-19 pandemic and regulations**	The Covid-19 pandemic led to travel restrictions, border closures, business suspension and closures, quarantines, isolation, and social distancing measures. These factors significantly reduced global travel and consumer demand for hotels. Uncertainty prevails around Covid-19's continued impact on revenue generation. The third wave of infections in South Africa, our main market, led to stricter lockdown measures being reinstated in 2021. In addition, the group needs to ensure that it prepares for and adapts to the new normal in terms of how hotels operate. These include increased guest technology expectations, the importance of hygiene and social distancing, how hotel public spaces will be used, and an increased emphasis on sustainability.	• Implementing crisis management plans and survival strategies • Enforcing and monitoring strict and disciplined Covid-19 protocols to mitigate the risk of employees, guests and other key stakeholders contracting the virus • Continuing to update operating requirements as the Covid-19 levels change • Closing and reopening hotels based on demand • Repackaging our hotel services to make them safe and attractive in the post-Covid-19 era • Evaluating every hotel's performance, both before and during the pandemic, and proactively implementing turnaround strategies where necessary

Rank and movement from the previous year		Risk	Description	Mitigating measures
2	↑	**Travel demand and accommodation over-supply**	Almost without exception, our local and international markets were subject to travel restrictions as governments attempted to curb the spread of Covid-19. Countries like South Africa closed their borders and at times limited domestic travel. Some of our key international markets listed South Africa as a Covid-19 hotspot, bringing travel from those countries to a near-standstill. Following the steep decline in travel and tourism, many hotels and smaller accommodation providers exited the market. Those who remain are competing to retain or gain market share, but they may stand to benefit once demand returns. Although CLHG is proving resilient in the face of the pandemic, we are subject to funding and liquidity restraints.	• Encouraging and capitalising on domestic travel • Contributing to and participating in TBSCA initiatives and lobbying for governments to open international travel to the region • Building internal capabilities and capacity to capitalise on returning travel demand, while maintaining business resilience and strictly managing working capital • Phased reopening of hotels to actively manage the oversupply of hotel stock in the market • Launching new offerings aimed at attracting the local market
3	→	**Funding constraints**	Current trading conditions hamper revenue generation and profitability, an arduous journey that limits the group's ability to invest in its properties. Failure to manage funding constraints may impact commercial performance, lead to financial loss and undermine stakeholder confidence.	• Focusing on improving operational and resource efficiencies • Concluding a rights issue (R1.2 billion) to strengthen the group's liquidity position • Implementation of a cost containment programme which included salary reductions, freeze on discretionary capital expenditure, reduced maintenance programme and other operational cost reduction measures • Continuous communication with the group's funders, robust management of our covenants, and negotiating additional facilities as required • Aligning our appetite for disposals and/or acquisitions to the performance of our existing portfolio, which is monitored by the board.
4	↑	**Socio-economic environment**	Economic volatility impacts business confidence, with a knock-on effect on business travel, while also affecting discretionary expenditure on leisure travel. In the wake of Covid-19, almost all our markets saw a decline in GDP. Increased unemployment is likely to affect us in the near and medium term. Many African countries are subject to geo-political volatility, which not only hurts local business confidence but also dissuades international investors and travellers. The riots seen in South Africa during July 2021 are one example of a major event that causes international uncertainty.	• Hosting attractive marketing campaigns, including the WKND special and WOZA Friday • Exploring alternative revenue products, such as #YourPrivateOffice • Enhancing the food and beverage offering, giving guests more reason to stay in the hotel as opposed to dining out.
5	↑	**Loss of market share**	International competitors may have access to greater commercial, financial and marketing resources and more efficient technology platforms than CLHG. They could potentially expand and improve their presence in our geographies, thereby adversely affect our ability to maintain or increase our market share and/or occupancy rates.	• Expanding our weekend and leisure market share through attractive promotional offers • Investing in quality properties, ensuring that we have a diversified portfolio across geographic locations and hotel gradings • Investigating and identifying refurbishment projects across our portfolio • Improving our customer experience and engagement. • Utilising more online travel agents (OTAs) to reach non-traditional markets

Key risks and opportunities continued

Rank and movement from the previous year		Risk	Description	Mitigating measures
6	↑	Transformation	In South Africa, transformation is a critical issue. CLHG's transformation initiatives are not just about compliance – it is a moral and business imperative to help root out racial inequality. Our 2020 rating maintained a Level 4 B-BBEE rating, the indirect share repurchase and debt settlement that formed part of the rights offer process resulted in the unwinding of our previous B-BBEE structure and the loss of some equity ownership.	• Strategising around B-BBEE and exploring ways of regaining our equity ownership, including optimising the share register credentials • Creating new programmes to provide employment opportunities and training for youth.
7	↑	Pricing strategy	Several new market entrants led to an oversupply in the market, especially in high-density areas. We are currently operating in an exceptionally low occupancy environment that is shifting the competition towards pricing and promotions. Coupled with the discounting already prevalent throughout the hospitality industry, pricing cuts exert downward pressure on the group's revenue and profitability.	• Shifting from fixed room rates to a BAR philosophy • Introducing an AI function to improve demand prediction and inform pricing strategy • Working with tourism forums to find solutions and ways to attract international markets.
8	↑	IT security	Data is a valuable asset for CLHG, providing insight into customer behaviour so that the business can provide a more customised, competitive service to our clients. Data breaches could lead to system unavailability, business disruption and reputational damage. Over the last year, there was a significant rise in ransomware attacks across all industries. Remote working due to lockdown has increased the risk of cyber threats.	• Complying with the POPI Act, which came into effect on 1 July 2021 • Evaluating and refining our cyber infrastructure and security protocols, especially in light of the remote office trend • Ensuring that we have adequate insurance.
9	→	Compliance	We face increasingly complex compliance requirements, as well as policy uncertainty, including the possibility of land expropriation. At the same time, the cost of compliance is increasing while share prices are low. Any breach of compliance with legislation, regulations, best practice, industry standards and licensing requirements could result in fines or sanctions that affect our profitability and may have adverse reputational consequences.	• Supporting the principles of sound corporate governance and continuously reviewing covenants • Maintaining effective compliance controls throughout the organisation • Monitoring government's plans for transformation • Providing our management team and employees with regular training on amendments to legislation and policy.
10	↑	Essential municipal services	Poor service delivery, limited infrastructure investment and funding challenges hamstrung South African municipalities' capacity to supply water and electricity to ratepayers. Inconsistent water supply and unreliable electricity provision affect hotel operations and guest relations. Shareholder returns are also impaired by additional rates and property taxes increases in conjunction with above-inflation growth in the cost of water and electricity.	• Reducing our dependency on the national energy grid with solar installations at 25 of our hotels • Installing backup diesel generators at our hotels • Investigating alternative water and energy supply options • Maintaining sustainable energy management programmes at each hotel that focus on operational and technical efficiencies • Using borehole water for property maintenance at some of our South African hotels • Encouraging guests to help reduce water consumption, without minimising the guest experience.

OUR TOP OPPORTUNITIES

While Covid-19 proved disastrous for the hospitality industry and the past year featured liquidity and revenue shortfalls, it was also a golden opportunity to prepare for a surge of customers once the pent-up demand for travel is released. CLHG used the quiet time to innovate, explore efficiencies, and brainstorm improvements.

Revenue growth and yielding	Before Covid-19 struck, we were already driving major technological shifts within the group as a competitive disruptor in our markets. Our bespoke Lodgix hotel management platform includes a guest interaction and relationship management system that enables customised services. By far the most significant efficiency introduced in this period was our new revenue management model, which flexibly adapts room rates per demand. The data from CLHG's new AI feeds into our BAR methodology, enabling each hotel to respond to market trends. Food and beverage offerings also provide an opportunity to increase the spend per guest. Guests are more reluctant than before the pandemic to leave their rooms, preferring the safety of the hotel to the risks of exploring other venues and restaurants. The group is enhancing this revenue stream by adding new food and beverage options.
Sale of East African assets	In July 2021, we agreed to dispose of our entire East African portfolio (three hotels in Nairobi, Kenya and one hotel in Dar es Salaam, Tanzania). The sale is expected to be completed within 22 weeks of signing date. The proceeds from disposal will be used to reduce debt levels, increase liquidity and support the working capital requirements of the group.
Acquisition of distressed assets	As other hotels and lodges experience pandemic-related financial distress, CLHG may acquire assets that will likely be profitable down the line. The board examines these opportunities within the constraints of our current liquidity position.
Evaluating our hotels' performance	While we wait for the Covid-19 storm to abate, we can evaluate every hotel in our stable. In cases where some were underperforming before the pandemic, we are exploring ways to turn them around. This may be through sales and marketing strategies, rebranding, repurposing, or even divestment.
Efficiencies and cost reductions	Our WOW campaign is instrumental in enabling staff members to suggest efficiencies and cost cutting ideas, based on their hands-on experiences in their working roles. We continually seek ways to reduce our consumption of natural and scarce resources, particularly water and electricity, as evidenced by the introduction and installation of solar panel installations at 25 of the group's hotels.

People caring for people – Guest Feedback

ROAD LODGE

Road Lodge Cape Town International Airport

"I would like to express my thanks and appreciation for the service and exceptional care my cousin received when he stayed with you. We were deeply touched by Kwanele Bontswayo on your reception desk who exercised extreme patience and professionalism in assisting my cousin, who spoke very little English, ensuring he could access meals outside the breakfast provided by the establishment among other things. I must admit, I was worried about how he would manage throughout his stay without being able to communicate effectively, but Kwanele and your security guard (didn't catch his name) proved there was no need for concern. Again, thank you for such outstanding service. We wish both gentlemen concerned every success in their future endeavours."

~ Audrey

Material issues

Our material matters are reflected in our key risks and opportunities. These represent both sides of issues that have the most impact on our ability to create sustainable value for our stakeholders. These issues change over time as new trends and developments shape the macro environment while our stakeholders' needs evolve.

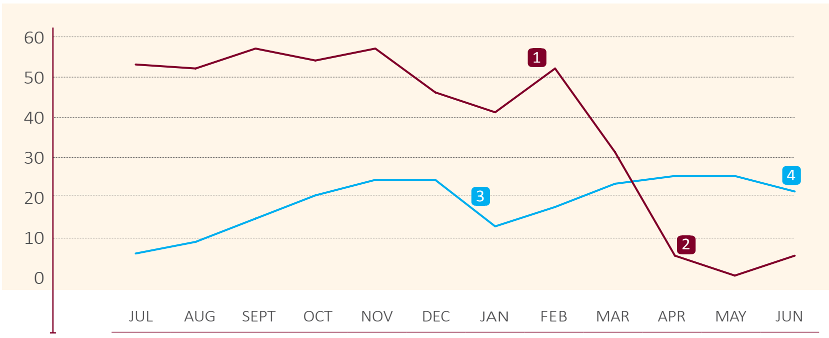
During the period under review, the executive management team considered all matters that affect the group or may affect our ability to continue creating value. Having analysed the intricacies of the group's operating environment and our stakeholders' expectations, within the context of our vision and mission, the executive management team identified the material matters described below. These prioritised matters remain top of mind in all management decision-making processes.

NAVIGATING COVID-19

The hospitality industry was hit hard by Covid-19, with severe restrictions placed on travel and entertainment. Although the restrictions waxed and waned in line with infection rates, the fear instilled by, and the hype created through social media saw prospective travellers remaining cautious and delaying leisure travel. Disposable income also declined substantially following wide-scale retrenchments. Subdued business travel also had a negative impact on occupancy rates.

The group saw a steady improvement in occupancies following the initial lockdown period, when almost all hotels were temporarily closed. However, it's been a turbulent year as occupancies rose and declined with changing lockdown regulations. CLHG responded by opening or temporarily closing hotels as appropriate:

Group occupancy



	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2019/2020	54%	53%	58%	55%	58%	47%	42%	53%	32%	6%	1%	6%
2020/2021	6%	9%	15%	21%	25%	25%	13%	18%	24%	26%	26%	22%

Occupancies based on total room inventory, and includes open and closed hotels.

2019/2020
1 WHO declares the novel coronavirus outbreak a public health emergency of international concern.
2 Lockdown restrictions commenced in South Africa: 27 March 2020.

2020/2021
3 Second wave of infection in South Africa: December 2020.
4 Third wave of infection in South Africa: June 2021.

While the pandemic prevails, CLHG must continuously adapt to the challenges and uncertainties of prolonged lockdown measures and the impact of reduced travel confidence.

How have we responded

Stringent health and safety protocols

We are familiar with the impact on our operations of changing regulatory requirements and staff can make the necessary adjustments swiftly to ensure guest safety. CLHG has stringent, multi-disciplinary measures in place to keep the front- and back-of-house clean and safe, including:

- A Covid-19 rapid response team constantly monitoring the operating environment and keeping abreast of all pandemic-related developments
- Health screenings for both guests and staff entering our hotels
- Social distancing signage and enforcement of best practices by hotel management
- Specialised deep cleaning programmes
- Strict room cleaning policies to eliminate cross-contamination between rooms
- Individually packaged food service to ensure guests receive a tasty meal with limited risk
- Linen and towels washed on the hottest wash cycle to kill any potential viral matter
- Personal protection equipment, such as face masks, gloves and aprons are worn by staff at all appropriate times. Guests wear face masks in public areas at all times
- Ongoing training to keep our staff informed and well-versed in best practices
- Periodic independent Covid-19 risk assessment audits by Food Consulting Services (FCS)
- Accreditation by the World Travel and Tourism Council (WTTC) Safe Travels and the Tourism Business Council of South Africa (TBCSA)
- A summary of our Covid-19 protocols is provided on our website.

We mastered the art and science of delivering tip-top, loving and clean hospitality during a pandemic. Our guests can be reassured that they can continue to stay safely at our hotels.

Low touch, high care approach

We capitalised on the slow-down to innovate the guest experience in preparation for a 'new normal'. This includes the introduction of a 'low touch, high care' approach to guest interactions. We offer a more streamlined, minimal contact check-in process while minimising the need to touch menus, pay points and other ancillary items. We introduced creative meal offerings to provide comfort and safety, whether guests enjoy their meal in their rooms or communal spaces.

The introduction of WhatsApp Business has made it possible for the reception at all our hotels to be contactable via guest mobile devices, using our state-of-the-art WiFi facilities. As lockdown restrictions eased, we reopened our restaurants on a socially distanced basis. We have used QR code technology to reduce the printed material in our rooms and restaurants. Guest services directories, restaurant menus, screening questionnaires are now all online, and accessible via a QR code.

Managing operating costs and occupancy rates

CLHG's revenues were substantially impacted when almost all our hotels in South Africa and across the continent were forced to temporarily suspend services as a result of the pandemic.

In response, we implemented several proactive cost containment measures to improve resilience during this period of operational weakness. These include freezing all uncommitted capital expenditure, culling variable costs, and reducing fixed costs.

As our hotels reopen, we are balancing travel demand and optimal room rates by offering flexible pricing based on AI predictive demand analysis and predictive models. Hotels are reopened based on demand assessed through guest enquiries, reservations on our booking platforms, or through sales team projections. We earmarked specific hotels in key locations where larger numbers of business travellers may reasonably be expected.

FINANCIAL STRENGTH AND ENDURANCE

The journey to profitability is ongoing and remains our biggest target and challenge. We are optimistic about the prospect of breaking even by the end of 2021.

The restricted operational and economic environment arising from the Covid-19 pandemic has severely impacted the group's revenue. CLHG must maintain an appropriate capital structure that ensures the business survives through challenging economic cycles, while providing room to improve the quality of our existing properties or acquire well-located, value-enhancing hotels as these opportunities arise. The group assessed and implemented various liquidity and capital measures to help ensure that its business can withstand the prolonged industry recovery period.

How we are responding

Rights offer

During the year City Lodge successfully raised gross proceeds of R1.2 billion through a fully subscribed rights offer. The net proceeds of the rights offer were used to repay a portion of amounts owing under its secured facilities and settlement of the company's guarantee of the B-BBEE special purpose vehicles (SPVs) interest-bearing borrowings, preference shares and accrued interest and dividends totalling R770.9 million, as at 14 December 2020. The remaining funds are being used to improve liquidity and support the working capital requirements of the group during the Covid-19 pandemic.

Loan facilities

The group's lenders have been very supportive during the ongoing operational challenges, the prolonged pandemic and the resurgent waves of infections. At financial year-end, the group had drawn R650 million of the R800 million total loan facilities available. The group also has access to an overdraft facility of R115 million and a waiver of the original debt covenants for each measurement period, up to September 2022, was secured. We maintain a productive dialogue with our funders and banks to ensure that the group has sufficient access to loan facilities.

Disposal of East African operations

CLHG is selling its stakes in three hotels in Kenya, as well as its City Lodge Hotel Dar es Salaam in Tanzania, to subsidiaries of the UK-based investment firm Actis Africa Real Estate 3 LP.

CLHG's 100% shareholding in Fairview Hotel Limited in Kenya will be disposed of for an aggregate consideration of R140.9 million. The disposal of 100% shareholding in CLHG Tanzania Limited in Tanzania will be disposed of for an aggregate consideration of R1 million and shareholder loan of R318.2 million will be repaid. 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, or such later date as may be agreed.

The East Africa operations have made significant losses for the year, including recognising net impairments losses of R345 million. The recovery time for the tourism and hospitality industries in these countries is expected to be longer than southern Africa, due to the major reliance on the North American and European source markets. In addition to the much needed liquidity from the receipt of proceeds, the sale will also shorten the route to profitability, as the group will not need to fund these operations while they continue to make losses.

ENSURING RESILIENCE INTO THE FUTURE

As we navigate this challenging time, our priority is to protect the longevity and sustainability of the business. While we anticipate a slow recovery of the hospitality sector, we are encouraged by how vaccination rollout programmes across the world are gaining momentum. These actions are expected to lead to improved travel confidence and to boost the recovery of the sector.

With demand gradually recovering, we expect high competition for both guests and room rates. CLHG must evolve, adjust, and reprioritise for greater efficiency and profit in an industry in flux. Hotels that fail to adapt may not survive, even when travel volumes approach pre-Covid-19 levels.

How we are responding

Boosting non-room revenue: Food and beverage

We are a trusted brand that has always offered a great breakfast. We are now expanding our food and beverage offering, with lunch and dinner evolving into important offerings in the City Lodge Hotel and Courtyard Hotel brands experience. While we do not serve dinners at Town Lodges, we have developed a new light bar snacks menu and we are developing an 'Eat-In' food concept. The group also launched an 'Eat-In' pizza offering at all CLHG brands. Guests can also enjoy meals delivered from a selection of trusted third-party suppliers, without leaving the safety of the hotel.

Material issues continued

We will continue growing our food and beverage revenue as an adjacent income stream to room revenue. City Lodge Hotels' signature #Cafe restaurants have grown overall revenue significantly.

We have introduced food and beverage promotions to attract customers through special day events, such as Mother's Day, Father's Day, Valentine's Day and Heritage Day, as well as partnering with food and beverage brands to enhance the experience. These promotions often draw leisure guests who consequently choose our hotels when travelling for business.

Technology upgrades

Covid-19 has unquestionably accelerated the infusion of new technologies and applications into hotel operations. Tech features that might have been introduced as novelties or extra conveniences are becoming necessities in an era where some people are wary of even stepping outside their doors. As we move into the 'new normal' and hotels reopen for business, the expectation for customer experience is higher than ever.

One of the biggest highlights for the year was the launch of our AI predictive demand analysis tool to assist general managers to understand demand trends and aid in determining the best available room rates for guests.

A second highlight was the introduction of our self-check-in functionality on our mobile app and website. This allows the guest to do contactless check-in. Covid-19 screening and temperature checks are also processed digitally, while QR codes provide guests with digital access to our restaurant menus and other service-related information.

Part of the CLHG 4.0 journey, aiming to maximise the benefits to be drawn from the Fourth Industrial Revolution, was streamlining our internal processes. With many of our administrative employees working remotely, this presented an opportunity to give our systems an overhaul, especially in terms of digitising processes that were previously paper-based.

Focus on environmental credentials

As our customers become more environmentally aware and climate change is recognised as a pressing concern, our environmental sustainability becomes increasingly important.

Courtyard Hotel Waterfall City is CLHG's first green star hotel. It received a Green Star 4-star Custom Design certified rating from the Green Building Council South Africa shortly before opening.

We aim to be more transparent by displaying our electricity and water consumption numbers to guests. We are developing the methodology for this and, should it be successful, we will roll it out to all our hotels.

Guests remain pleased with our new amenities range that is free from single-use plastic and the new hydration stations offering free, magnesium-enriched filtered water.

People caring for people – guest feedback

TOWN LODGE

Town Lodge Bellville

"I have been here before and I must say both times the staff and management were very friendly, helpful and polite. The best staff ever :-) Everything was wonderful and I enjoyed my stay. Will definitely be back there again :-)"

~ Ashleen

"Excellent service, and Covid-19 protocols! Hotel is in a fantastic condition! The attention to details is superb! Congratulations to the Hotel Manager [Liezel Vernon] and her friendly staff!"

~ Sharon

Town Lodge George

"Just a quick message to say that I had my first stay at this Town Lodge. I was very impressed with their service (especially Mr Heinrich). Staff were very friendly and very helpful; they will see me again. With service like that, I am proud to call myself a South African. Please share my message with them. Well done."

~ Anonymous

Town Lodge Umhlanga

"I just wanted to say thank you so much for my stay at Town Lodge Umhlanga. I understand why my clients like staying there. Very nice hotel and very good service, clean and friendly staff."

~ Jenna De Agrela, Panda Travel

Our strategy at a glance

THE CITY LODGE HOTELS VISION

We will be recognised as the preferred sub-Saharan African hotel group.

Our group is driven by an integrated strategy engineered around the five key focus areas:

Brand identity	Consolidation	Transformation	Environmental responsibility	Information Technology
To continue embedding our refreshed brands and realise increasing benefits from an individual brand marketing strategy	*To consolidate and expand our position*	*To continue transforming the group in line with the B-BBEE Codes of Good Practice*	*To be a leader in the hospitality sector in environmentally sustainable business practices*	*To maintain and implement an innovative technology platform*

Key performance indicators 2021:

Brand identity	Consolidation	Transformation	Environmental responsibility	Information Technology
• Opening our new-concept Courtyard Hotel Waterfall City • Rebranding underperforming hotels • Growing our food and beverage offering • Sales and marketing initiatives	• Disposal of East African hotels • Turnaround strategy committee recommendations	• Broad-based black economic empowerment (B-BBEE) score • Training and talent development • SMME support • Societal transformation and CSI	• Solar energy • Reduced single-use plastic usage • Commitment to using only cage-free eggs by 2025 • Hydration stations	• Guest interaction innovation • Optimising performance • Cyber security

Our strategy in practice

BRAND IDENTITY

To continue embedding our refreshed brands and realise increasing benefits from an individual brand marketing strategy

Opening Courtyard Hotel Waterfall City

The new Courtyard Hotel Waterfall City had been on the cards for some time. Symbolically, opening the 168-room hotel in March 2021, amid a pandemic demonstrates hope for the future and confidence in CLHG's ability to weather Covid-19.

Practically, the new hotel showcases the direction of the Courtyard Hotel brand, with new design elements, a Green Star 4-star Custom Design certified rating from the Green Building Council South Africa and additional services. It is located in Waterfall, an up and coming 'digital city' close to Gauteng's major traffic arteries and the Mall of Africa. This hotel features all CLHG's innovations, including online check-in and QR codes for Covid-19 testing, and new bespoke food and beverage offerings from Executive Chef Keegan Maistry and his brigade of chefs. The Protea Restaurant on the ground floor serves a sophisticated, contemporary breakfast, lunch and dinner while The Highline Restaurant on the ninth floor specialises in gourmet light meals for lunch and dinner.

The hotel targets both business and leisure visitors, as well as 'bleisure' guests making the most of their business stay.

Rebranding underperforming hotels

The lull in occupancies that followed the pandemic provided an opportunity to critically evaluate each hotel's performance. Underperforming hotels came under scrutiny by the CLHG new turnaround strategy sub-committee.

Two hotels, in particular, were found to be misaligned to the clientele for the areas in which they were located. Their branding did not make them competitive from a pricing point of view, especially in areas with an over-supply of competitors in that class. Accordingly, Courtyard Hotel Eastgate was rebranded to City Lodge Hotel Eastgate, while Town Lodge Sandton, Grayston Drive became Road Lodge Sandton. These properties now offer customers similar luxury at a more affordable price, with a brand that may be familiar to more guests in those markets.

Unfortunately, both rebranded hotels had scarcely opened when stricter lockdown measures forced them to close again. Time will tell how successful this rebranding exercise will be.

Enhancing our food and beverage offering

Refreshing our menus

With the increased demand for guests to stay indoors, as well as an increase in business from the leisure travel market with different nutritional needs, food and beverage has become a stronger focus area for CLHG, both as a way to improve the guest experience and as an enhanced revenue stream.

A major milestone in our journey towards an improved food and beverage experience was the appointment of Trevor Boyd, an executive chef with 25 years' experience in the industry, as General Manager: Operations for Food and Beverage. Trevor will help to take #Cafe to a new level, while introducing new menus at our hotels. The Town Lodge and Road Lodge brands, which traditionally offered breakfast only, are having their menus expanded to ensure guests staying at these hotels have the choice to order meals from the hotels' menus.

Our breakfast offerings needed to be reviewed in light of the Covid-19 safety measures. In different territories, this particular offering impacts the guest experience differently. For some guests, the breakfast buffet is an indispensable perk. Similarly, our lunches and dinners for the City Lodge Hotel brand can be expanded from relatively standard menus to new offerings that take dietary requirements and guests' meal preferences into account, while still retaining old favourites.

We also introduced gourmet pizzas baked to order in our kitchens across all our brands, and refreshed the bar snack menus at our Town Lodges, Courtyard Hotels and City Lodge Hotels. New menus are first piloted at a few hotels to ensure that they align with guest tastes.

Promotional events and catering

To help guests understand that CLHG offers more than just breakfast, we introduced several campaigns focused around special events and public holidays, with menus catering specifically for those events.

Promotions play an important role in our organic growth strategy by attracting guests who are not familiar with our hotels. The overarching message is that CLHG is open, hygienic and safe for any occasion, whether business or leisure. Through our partnerships and the expertise at our hotels, we can offer an end-to-end catering service for special events, whether baby showers or business lunches. Our local partners enrich these experiences by, for example, providing a gourmet cake as a prize for Mother's Day events or craft beer to accompany hearty dishes for Father's Day.

Sales and marketing initiatives

CLHG's marketing strategy is designed to drive loyalty and community while meeting specific operational needs. Each brand's marketing team applies data analytics to support the marketing strategy of their hotels.
The cash flow constraints that followed the temporary suspension of services of most of our hotels meant that much of our paid advertising was suspended. Digital platforms and social media have been the group's primary communication channels for providing guests, customers and members with current information on various group hotels and distinct brand experiences.

The group continued communicating with the media and senior management participated in numerous industry-specific webinars and online events, as well as a broad range of local and, on occasion, international print, digital, radio and television interviews. Maintaining a consistent media profile as a credible and popular choice to comment on key industry issues and current affairs is an important communications objective.
The CLHG loyalty programme and digital platforms are also key components of building loyalty and driving revenue. Our loyalty programme deepens relationships with members to drive repeat stays through tailored services and experiences for regular guests. We are planning to implement a reinvigorated loyalty programme offering that leverages our recently developed mobile app.

During the year, specials and promotional events helped to improve brand awareness and attract guests. We are proud to have attained several awards during this time, as listed on page 63.

Driving online bookings

Direct bookings through our website enable the group to offer our guests better rates, while improving our own margins. The following online booking platforms also extend our reach:

- Booking.com
- LekkeSlaap.co.za
- Expedia.com
- Agoda.com
- Safarinow.com.

All online bookings were constrained by the pandemic as demand dropped.

CONSOLIDATION

To consolidate and expand our position

Disposal of CLHG's East African hotels

Although we are optimistic that southern Africa's markets will return to profitability soon, the East African hospitality sector, in particular, relies on international business travel, which will potentially take longer to recover. The group accepted an offer for the disposal of our entire shareholding in East Africa operations, which includes four hotels in East Africa. The proceeds from the sale will be used to partially settle outstanding debt, which injects liquidity into working capital and allows the group to resume the maintenance capital cycle at our hotels.

TRANSFORMATION

To continue transforming the group in line with the B-BBEE Codes of Good Practice

B-BBEE

Given the vast numbers of employment opportunities created by the hotel industry, transformation plays a vital role in developing our societies. Although transformation and empowerment targets for the hotel industry are higher than for many others, compliance has never been our main goal. We see it as a moral imperative to make a real and lasting difference to the lives and futures of our employees, industry and operating countries. We also recognise that transformation is a business imperative. Our staff demographic should match those of our guests.

Therefore, the group is transforming itself in line with how our markets are changing. We have had no gender or race-based income disparity in our organisation since we launched in 1985. CLHG is committed to equal opportunities and advancing opportunities for women in our business and the hotel industry as a whole. As a result, more than 40% of our general managers today are women and that number is growing.

At the time of publication, the current year B-BBEE verification was in the advanced stages of the audit. The prior year scorecard rating of 90.45, which matured in September 2021, secured a B-BBEE level 4 rating.

However, following the acquisition of a 99.99% share in the B-BBEE entities in December 2020, we do not derive the same level of equity ownership benefits for the B-BBEE scorecard. We are exploring optimising our share register credentials to regain our equity ownership in the medium term. Our transformation committee, chaired by the COO, meets regularly to plan and monitor transformation strategy and plans in CLHG.

Our strategy in practice continued

Training and talent development

A major part of transformation across the group is the training and development of future executives across all race and gender groups, ensuring that we have a well-established succession plan and a deep pool of leadership talent to facilitate our continued brand and market share growth. As part of our commitment to an inclusive culture and environment, we encourage and welcome innovation and input from our staff.

While the cash flow constraints of the past financial year, paired with the adjustments of working in a Covid-19 environment, limited the group's skills development initiatives somewhat, skills development remained a priority. The group is introducing more learnership opportunities and increasing training programmes. We currently have 76 employees registered on various City & Guilds courses, as well as 90 hotel school students gaining work experience at our hotels. During this period, the group offered learnership opportunities to 10 disabled or unemployed learners, in partnership with the South African Disability Development Trust.

We are particularly proud of our management development programme, which identifies black talent and ensures that people of colour are considered for promotions. Our Management Development and Succession Committee (Mandasco), chaired by the CEO, also tracks the success of the accelerated development and deployment programme (ADDP) for young, Black staff members.

The opening of Courtyard Hotel Waterfall City marks a further shift in our approach to transformation. It is both an opportunity to showcase diversity at all levels of management and operations and to identify new talent, while providing an advanced training ground for employee development.

Societal transformation

Our sustainability as a business is wholly dependent on the sustainability of the societies and environments in which we operate. Healthy, thriving societies underpin healthy, thriving businesses.

Much of our societal support takes the form of targeted social investment focused on the initiatives and people who can be realistically enabled to prosper and grow. We prioritise enterprise development and work closely with our suppliers to ensure a positive impact on the transformation of our entire supply chain.

Our social beneficiaries presently include a training provider, a furniture manufacturer, a transport provider and a fresh food supplier. These beneficiaries not only receive financial support and business guidance from us but have also become part of the group's supply chain.

CSI

Our social investment initiatives also contribute to transformation. While the pandemic restricted the number of activities the group would normally engage in, the hotel general managers prioritised community engagement.

Emthonjeni Community Centre is dedicated to community upliftment of those in need, especially benefiting the impoverished community in Zandspruit in Gauteng, South Africa. Our Emthonjeni partnership saw a large consignment of used but functional stock from the group's hotels in Sandton, West Rand and CBD, as well as new bottles of body lotion, being handed over in May 2021 for the centre to reuse, recycle or upcycle.

ENVIRONMENTAL RESPONSIBILITY

To be a leader in the hospitality sector in environmentally sustainable business practices

Solar energy

In December 2019, we completed 25 solar energy installations at a total investment of approximately R20 million. The goal was for each installation to generate 30% of their hotel's total energy, lowering the group's overall energy consumption from non-renewable sources by approximately 10%. With the low occupancy rates during the pandemic, we have not yet seen the benefit of the solar panels. However, as demand increases and the technology becomes more efficient and cost-effective, more of our hotels will be converted to solar.

In the year ahead, we aim to maintain and, where possible, further reduce energy consumption on a per-room-sold basis.

Reduced single-use plastic usage

We are driven to eliminate single-use plastics throughout our operations. By introducing water filter stations that provide both still and sparkling magnesium-enriched water to our guests at no cost we reduced the need for bottled water at our hotels.

Our guests are pleased with the group's new range of environmentally-friendly bathroom amenities, which include the Zero shampoo bar, developed together with our South African supplier, The Bespoke Amenities Company (TBAC). These products come in recyclable cardboard packaging that is certified by the Forest Stewardship Council.
As occupancies increase from current Covid-19 levels, we will prioritise initiatives for managing and reducing waste.

INFORMATION TECHNOLOGY

To maintain and implement an innovative technology platform

The Guest 2.0 Experience

To take our guests' experience to a new level, we analysed each step of the guest journey to determine how we can streamline and improve the guest experience. The group has already implemented several improvements and continues exploring ways of improving.

We were particularly thrilled by the new version of our City Lodge mobile application. This application features increased functionality, including an option for online guest check-in so that guests can simply collect their key card on arrival. It also provides information about room service, food menus and local attractions.

Continuing from the previous financial year, we reduced physical touchpoints even further to protect our guests and employees. Online forms and QR codes replace traditionally paper-based solutions. At some of our hotels, guests can even use their mobile phones to open their hotel room doors and switch on the television. They can also contact the hotel via WhatsApp.

While some of the Guest 2.0 enhancements had to be put on hold because of financial and operational constraints, CLHG will continue exploring ways to improve the guest experience.

Boosting our operational performance

Many of our central office employees are still working remotely, with the necessary IT tools in place to support productivity and efficiency while at the same time reducing costs on office operating consumables and services.

Revenue growth and management remain key focus areas. Our Best Available Rate (BAR) initiative, which went live in June 2021, considers market trends and demands for accommodation to calculate the best rates for our guests, rather than applying a single rate philosophy. This benefits our guests by providing them with more competitively priced accommodation at all times, while optimising revenue yields for the group.

For this purpose, we are leveraging predictive analytics and machine learning to inform our pricing decisions. Our new BI tool helps to analyse key clients, track new business and personalise offerings for guests, corporate clients and agents. It also assists in gauging the success of CLHG marketing initiatives.

We are trialling the new BI tool at 25 hotels. The tool uses machine learning based on historical, environmental and, macro- and micro-economic information. Considering the unusual conditions brought on by the pandemic, the AI tool is still learning to understand the operating environment. However, it provides hotel managers with valuable insights into potential peaks or troughs in demand, helping them to determine the BAR.

The shift to BAR required a corporate culture change, especially among the group's general managers. Previously, they would run operations according to the rates provided by the central office, but they are now empowered to adjust rates in response to demand forecasts and market conditions. This new process requires extensive training and change management, but both the general managers and the group have been encouraged by the resultant growth in revenue.

Cyber security

Data security and cyber threats are high on the global agenda, following data breaches at high-profile companies. CLHG maintains industry standard security features, accompanied by group-wide cyber security awareness programmes.

On 1 July 2021, the POPI Act came into effect. In the interest of our guests' privacy, CLHG ensures that it complies with every aspect of the Act.

LOOKING AHEAD

The group's strategy in the year to come will be a continuation of existing initiatives while CLHG navigates the pandemic and returns to profitability:

- Adapt the group's business model to **retain profitability**, initially by pursuing enhanced food and beverage opportunities, retail opportunities and on-site power generation
- **Embrace technology** across the group to increase revenue and lower operating and other costs. Specific programmes include:
  - the addition of new local and international online **booking channels**
  - leveraging our in-house **property management system** for further technological advancement
  - relaunching the **loyalty programme** and expanding our strategic partnerships
  - utilising AI to improve **demand prediction** and inform **pricing strategy**
- Enhance the group's brands to **gain market share** from smaller, independent competitors
- Continue **refurbishing and modernising** the group's hotels
- Consider opportunities to **acquire distressed competitor assets** without placing further pressure on the group's working capital requirements.

Seven-year financial review

The 2020 – 2015 historical normalised financial information provided in this seven-year financial review is considered to include pro forma financial information under the Listings Requirements. It is prepared for presenting the group's sustainable earnings history and is for illustrative purposes only. This information is the responsibility of the company's directors. Owing to its nature, the information provided may not fairly present the financial position, changes in equity or results of operations or cash flows. The reporting accountant provided assurance on the pro forma information for prior years, and these reports are available for inspection at the issuer's registered office.

2021 financial information is presented on the IFRS reporting basis. Historically, the reversal of B-BBEE financial information has been the most significant normalisation adjustment. Following the 99.99% share purchase by the group in the B-BBEE SPV entities in December 2020, the B-BBEE SPV entities are consolidated as a subsidiary of group and therefore this normalisation adjustments are not considered significant for the year. Financial information for 2021 are presented inclusive of the application of IFRS 16 *Leases*, which was adopted for all periods commencing from 1 July 2019. 2020 to 2015 do not reflect the adoption of IFRS 16 *Leases*. Therefore, historical information may not be comparable.

	Reported	Normalised					
R'm	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Consolidated normalised statements of profit and loss							
Revenue	**507.8**	1 159.3	1 548.0	1 498.4	1 520.4	1 493.2	1 303.1
EBITDA	**(138.4)**	228.6	489.7	588.0	616.4	624.8	547.1
Depreciation and amortisation	**(120.0)**	(131.1)	(117.5)	(105.2)	(102.8)	(96.4)	(86.4)
Depreciation – right-of-use assets	**(85.9)**	–	–	–	–	–	–
Operating profit	**(344.3)**	97.5	372.2	482.8	513.6	528.4	460.7
Net impairment losses	**(387.6)**	(488.4)	–	–	–	–	–
Net interest (expense)/income	**(169.7)**	(31.7)	(2.4)	(1.9)	(12.6)	(16.4)	(6.2)
Investment in joint venture	**–**	–	–	–	–	–	60.0
Income from joint ventures	**–**	–	–	–	–	–	1.6
(Loss)/profit before taxation	**(901.6)**	(422.6)	369.8	480.9	501.0	512.0	516.1
Taxation	**97.0**	66.7	(102.5)	(132.8)	(139.0)	(138.2)	(123.6)
(Loss)/profit for the year	**(804.6)**	(355.9)	267.3	348.1	362.0	373.8	392.5
Determination of normalised headline earnings							
(Loss)/profit for the year	**(804.6)**	(355.9)	267.3	348.1	362.0	373.8	392.5
Fair value gain on remeasurement of investment in joint venture	**–**	–	–	–	–	–	(60.0)
Profit on sale of equipment	**–**	–	(0.2)	(21.9)	0.3	(0.2)	(0.7)
Impairment of property, plant and equipment and right-of-use assets	**341.5**	488.4	–	–	–	–	–
Impairment of goodwill	**10.6**	–	–	–	–	–	–
Taxation effect	**(2.7)**	(143.9)	–	4.9	(0.1)	0.1	0.3
Headline earnings	**(455.2)**	(11.4)	267.1	331.1	362.2	373.7	332.1
Number of shares for EPS calculations*							
Undiluted weighted average	**501 001**	36 606	36 556	36 543	36 448	36 309	36 229
B-BBEE shares treated as treasury shares	**–**	6 390	6 390	6 390	6 390	6 390	6 390
10th anniversary employees' share trust treated as treasury shares	**–**	507	506	509	509	527	549
Undiluted weighted average	**501 001**	43 503	43 452	43 442	43 347	43 226	43 168
Restricted share plan	**–**	–	86	86	88	84	38
Share appreciation rights	**–**	–	–	–	12	51	373
Share options	**–**	–	–	–	–	93	115
Diluted weighted average	**501 001**	43 503	43 538	43 528	43 447	43 454	43 694

** 2020 weighted average shares has not been restated for IAS 33.28.*

R'm	Reported 2021	Normalised 2020	2019	2018	2017	2016	2015
Consolidated normalised statements of financial position							
Assets							
Non-current assets	**2 740.0**	3 637.8	2 751.4	2 385.0	2 010.9	1 929.4	1 809.2
Property, plant and equipment	**1 671.9**	2 509.8	2 630.4	2 285.4	1 917.0	1 844.1	1 740.2
Right-of-use assets	**998.3**	985.0					
Intangible assets and goodwill	**39.9**	57.4	55.4	54.7	50.5	45.6	32.6
Investments and loans	**0.8**	34.8	34.8	34.2	34.2	34.0	31.7
Other investments	**–**	7.9	13.0	–	–	–	–
Deferred taxation	**29.1**	42.9	17.8	10.7	9.2	5.7	4.7
Current assets	**613.5**	288.1	335.0	362.7	394.8	305.2	221.1
Total assets	**3 353.5**	3 925.9	3 086.4	2 747.7	2 405.7	2 234.6	2 030.3
Equity							
Total shareholders' funds	**936.4**	1 451.9	1 948.0	1 868.9	1 711.5	1 607.7	1 439.8
Stated capital	**1 324.7**	179.5	179.5	179.5	179.4	168.0	164.0
Treasury/incentive scheme shares	**(510.9)**	(9.6)	(13.3)	(20.3)	(22.0)	(19.5)	(11.0)
Reserves	**122.6**	1 282.0	1 781.8	1 709.7	1 554.1	1 459.2	1 286.8
Liabilities							
Non-current liabilities	**2 043.9**	2 245.4	924.5	701.4	549.0	497.9	470.7
Interest-bearing borrowings	**650.0**	750.0	660.0	450.0	320.0	270.0	250.0
Lease liability	**1 365.6**	1 376.1	–	–	–	–	–
Other non-current liabilities	**–**	–	78.9	86.3	89.6	102.2	113.4
Deferred taxation	**28.3**	119.3	185.6	165.1	139.4	125.7	107.3
Current liabilities	**373.2**	228.6	213.9	177.4	145.2	129.0	119.8
Total equity and liabilities	**3 353.5**	3 925.9	3 086.4	2 747.7	2 405.7	2 234.6	2 030.3

Seven-year financial review continued

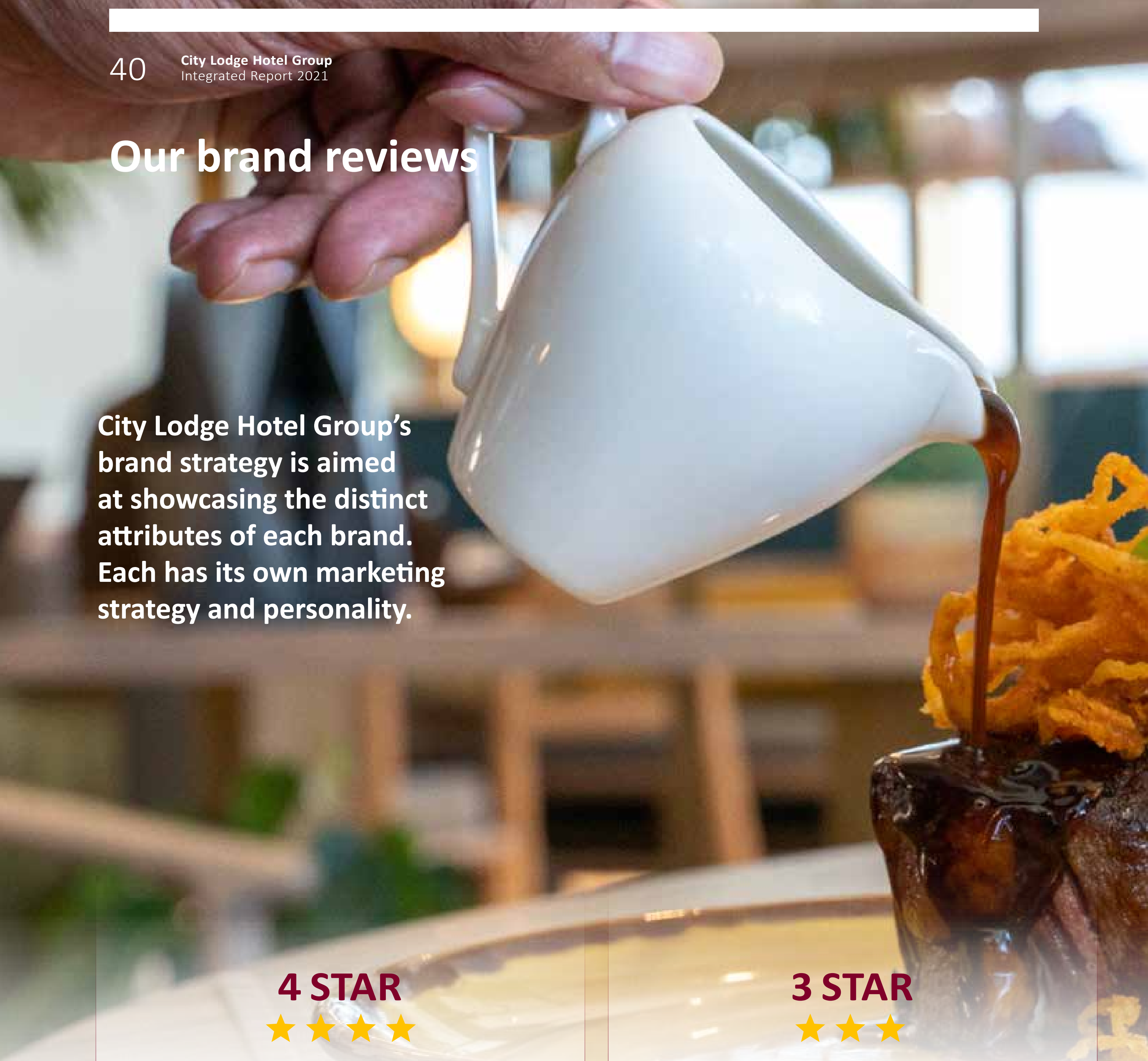
		Reported	Normalised					
		2021	**2020***	**2019**	**2018**	**2017**	**2016**	**2015**
Ordinary share performance								
Shares in issue	000	**571 645**	43 574	43 574	43 574	43 572	43 407	43 347
Weighted average shares in issue	000	**501 001**	43 503	43 452	43 442	43 347	43 226	43 168
Earnings per share	cents	**(160.6)**	(818.1)	615.2	801.3	835.1	864.8	909.2
Headline earnings per share	cents	**(90.9)**	(181.1)	614.6	762.1	835.5	864.5	769.2
Diluted headline earnings per share	cents	**(90.9)**	(181.1)	613.4	760.6	833.6	859.9	759.9
Dividends per share	cents	**–**	153.0	366.0	454.0	500.0	517.0	460.0
Dividend cover	times	**–**	(0.2)	1.7	1.7	1.7	1.7	1.7
Net asset value per share	cents	**164**	3 332	4 471	4 289	3 928	3 704	3 322
Net tangible asset value per share	cents	**157**	8 878	6 956	6 180	5 405	5 043	4 609
Profitability and liquidity								
EBITDA margin	%	**(27.3)**	19.7	31.6	39.2	40.5	41.9	42.0
EBITDAR margin	%	**(26.9)**	29.7	39.1	46.3	46.8	47.5	47.7
Operating margin	%	**(67.8)**	8.4	24.0	32.0	33.8	35.4	35.4
Effective tax rate	%	**(10.7)**	(15.8)	27.7	27.2	27.7	27.0	24.0
Return on equity	%	**(1.07)**	(0.7)	14.0	18.5	21.8	24.5	24.8
Interest-bearing debt to equity	%	**78.9**	54.9	33.9	24.1	18.7	16.8	17.4
Current ratio	1	**1.6**	1.3	1.6	2.0	2.7	2.4	1.9
Stock exchange performance								
Market price per ordinary share								
– Closing	Rand	**3.51**	23.75	102.71	141.82	140.13	155.52	138.99
– Highest	Rand	**22.50**	117.23	156.99	178.50	175.99	173.00	159.00
– Lowest	Rand	**2.25**	16.79	97.00	114.96	132.01	129.00	112.01
Total market capitalisation	R'm	**2 141**	1 035	4 475	6 180	6 106	6 751	6 025
Fully diluted closing price-earnings multiple	times	**(2.18)**	(13.1)	16.7	18.7	16.8	18.1	18.3
Volume traded								
– Ordinary shares	000	**530 366**	37 071	12 139	17 795	10 251	9 217	14 162
Other								
Number of hotels at year-end		**63**	62	60	59	57	57	55
Number of rooms at year-end		**8 070**	7 902	7 600	7 391	7 072	7 072	6 834
Group average occupancy	%	**19**	38	55	59	63	66	67
South Africa average occupancy	%	**21**	41	58	61	63	66	67

** 2020 information has not been restated for IAS 33.28 as a result of the of the rights offer in August 2020.*

Value added statement

R000	GROUP 2021	2020	%
Revenue[1]	**584 019**	1 333 483	
Paid to suppliers for materials and services	**(658 445)**	(446 616)	
Value added by operations	**(74 426)**	886 867	
Interest income	**7 746**	2 914	
Total wealth (deficit)/created	**(66 680)**	889 781	100
Distributed as follows:			
Salaries, wages and all related benefits[2]			
– direct	**227 544**	284 358	
– indirect	**12 240**	41 833	
	239 784	326 191	37
Government			
Taxes[3]	**57 228**	78 518	
Rates	**57 649**	55 681	
	114 877	134 199	15
Providers of capital			
Dividends to ordinary shareholders	**–**	108 214	
Interest on borrowings	**177 415**	204 212	
	177 415	312 426	35
Reinvested to develop/maintain operations			
Depreciation and amortisation	**205 853**	711 811	
Accumulated loss	**(804 609)**	(594 846)	
	(598 756)	116 965	13
Total wealth (deficit)/created	**(66 680)**	889 781	100
Headcount			
– direct	**1 477**	1 488	
– indirect	**–**	546[4]	
Total headcount	**1 477**	2 034	

[1] *Including value added taxation (VAT).*
[2] *Excluding employee taxes.*
[3] *Includes income taxation, deferred taxation, employee taxes and net VAT.*
[4] *Headcount only to 31 March 2020.*



Our brand reviews

City Lodge Hotel Group's brand strategy is aimed at showcasing the distinct attributes of each brand. Each has its own marketing strategy and personality.

4 STAR

★★★★

Based on a **four-star service model**, the **Courtyard Hotel** attracts guests who appreciate the brand's 'clubby' manor house feel and garden ambience. The opening of the **168-room Courtyard Hotel Waterfall City** introduces a renewed vibrant and contemporary Courtyard Hotel brand concept.

Our other four-star brand, **Fairview Hotel in Kenya**, offers a gorgeous venue for both business and leisure travellers – it is an ideal events venue.

3 STAR

★★★

The **City Lodge Hotel brand** is well-established in the upper midscale hospitality market category and is a highly popular working week venue for business travellers. Leisure travellers are attracted by weekend promotions, our **great locations** and targeted campaigning.

FAIRVIEW
BY CITY LODGE HOTELS

COURTYARD
HOTEL

CITY LODGE
HOTEL

2 STAR

★★

The **Town Lodge brand** caters to a younger, millennial guest who values socialised working spaces and good connectivity. Our Town Lodge brand hotels are undergoing refurbishments to reflect a **modern, connected and welcoming environment.** They feature shared working spaces and strong WiFi.

TOWN LODGE
BY CITY LODGE HOTELS

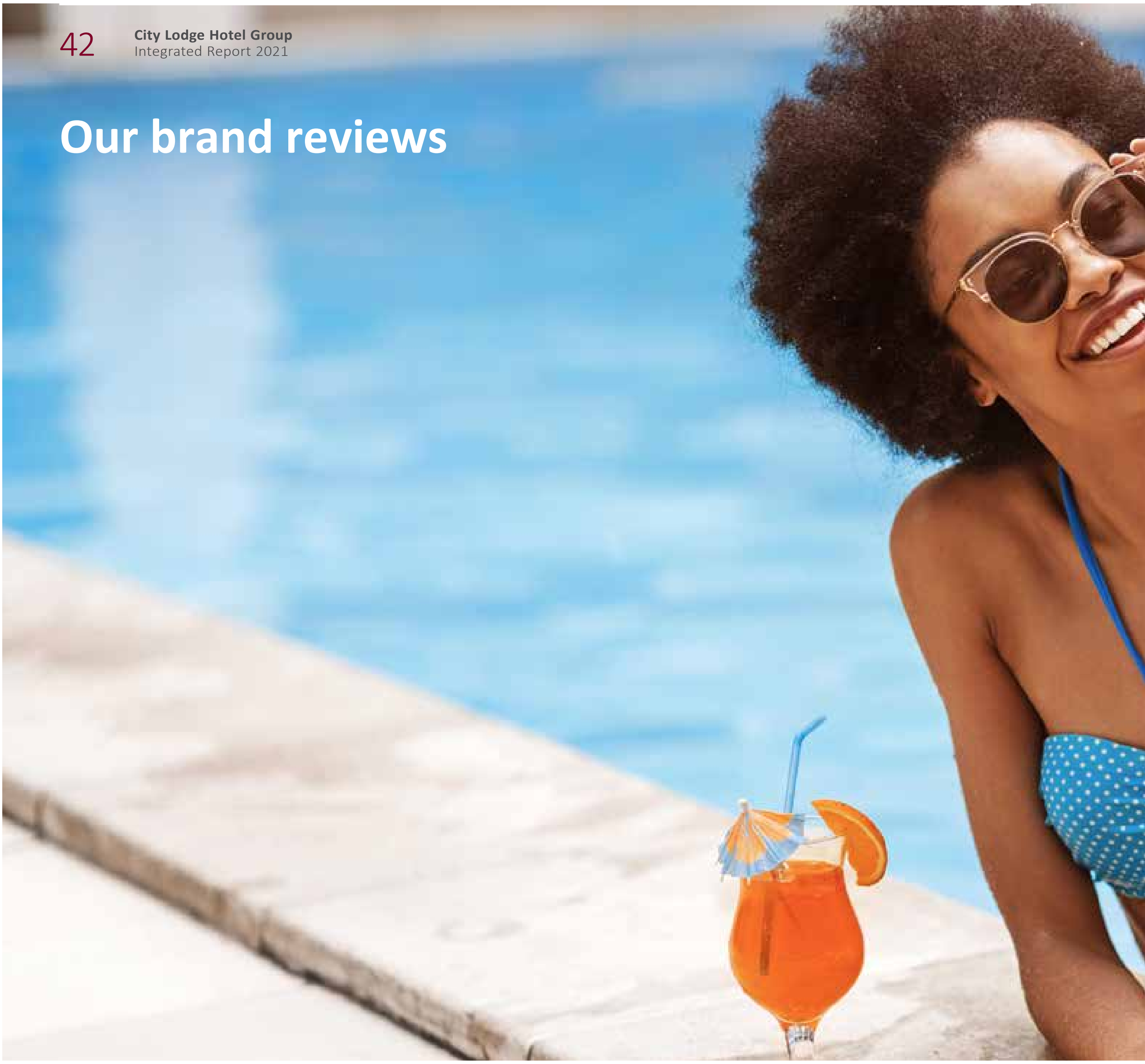
1 STAR

★

The **Road Lodge** provides affordable, yet quality, accommodation across South Africa. The brand offers basic services, largely catering to **budget-conscious business travellers**. The brand is also popular for family travel and school or sports group trips.

ROAD LODGE
BY CITY LODGE HOTELS

Our brand reviews



The Fairview is a garden oasis of tranquillity in the vibrant, bustling Upper Hill suburb of Kenya, Nairobi, sought after by discerning travellers as the perfect East African venue to relax, do business or host a memorable event.

Operating this one-of-a-kind hotel destination with its unique reputation provides a benchmark of excellence for the entire group. Fairview is situated across from the Israeli embassy, with beautiful gardens and traditional appeal.

During Covid-19 the group has refined the offerings at the Fairview as the first-choice venue for conferencing, events and weddings.

Current location

- **Nairobi, Kenya**

Our rooms

- Spacious rooms with various-sized beds
- Television with satellite TV
- Bathrooms with bath and/or separate showers
- Irons and ironing boards
- Tea and coffee-making facilities
- Electronic safes large enough to accommodate a laptop
- Desks with lighting and plugs for easy connectivity

Our services

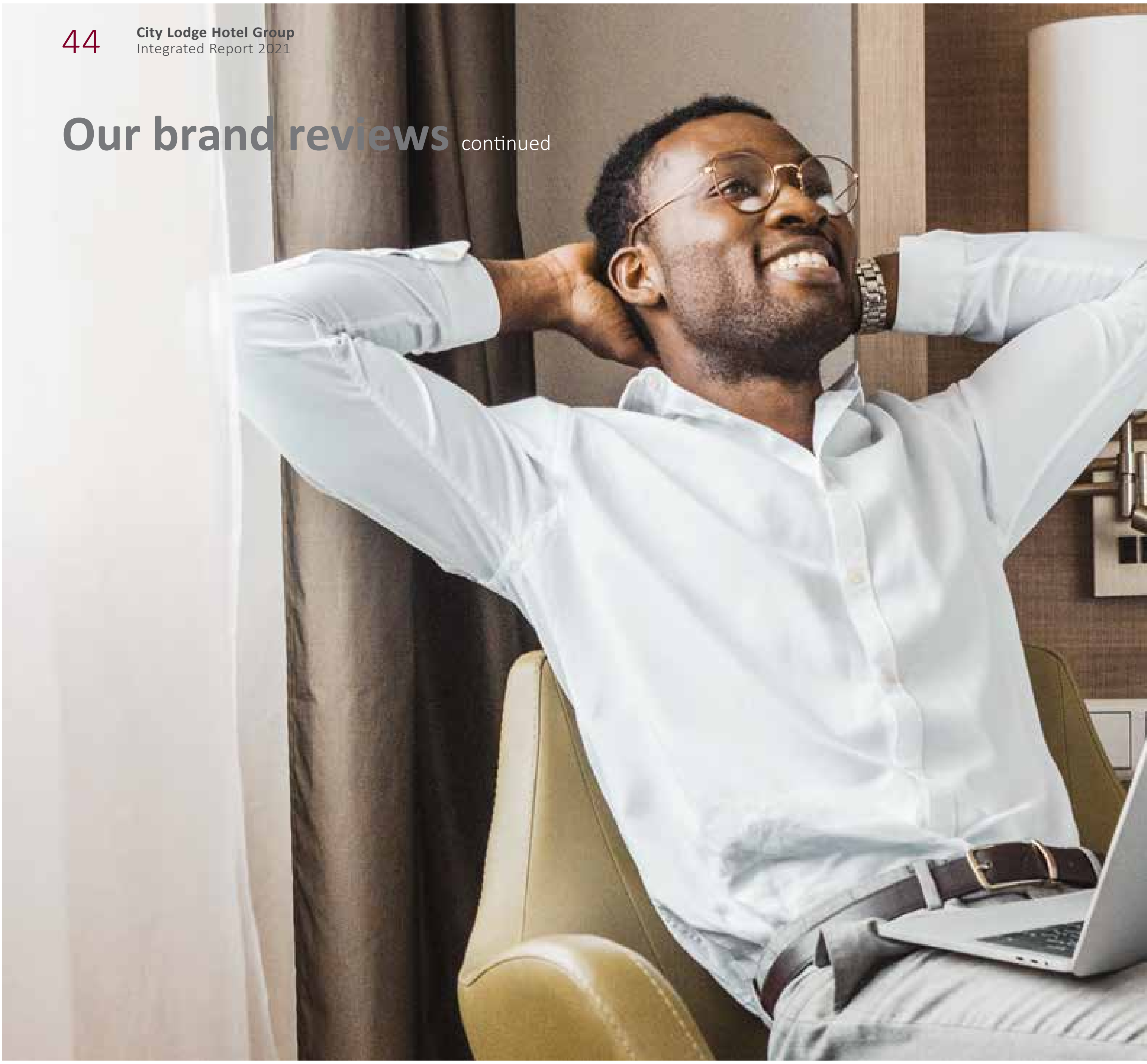
- Gym
- Boardrooms and conference facilities
- Convenient location
- Full English and continental breakfast daily
- 24-hour reception and check-in
- Sundowner bar
- Several on-site restaurants and cafés
- Same-day laundry and dry-cleaning service
- Sparkling swimming pool
- Free and convenient parking
- Free WiFi

FAIRVIEW
BY CITY LODGE HOTELS

Comfort where you need it most

1 HOTEL
127 ROOMS
FREE WIFI

Our brand reviews continued



Our Courtyard Hotel brand merges the feel of traditional hotels in magnificent buildings with modern conveniences and facilities. These include WiFi, access to boardrooms and offices, as well as a personal shopping service.

Based on a four-star service model, the Courtyard Hotel brand primarily serves business and upscale leisure travellers. Historically, international visitors tended to stay longer than domestic guests, because of the convenience and space to conduct their business from the room or lounge, and the hotels are situated in the perfect locations for leisure touring.

The group's first 'new concept' Courtyard Hotel Waterfall City in Gauteng opened on 1 March 2021. This high-rise hotel includes 164 rooms and four suites. The hotel boasts three conference rooms that accommodate up to 40 people each, 120 when combined, and a six-seater boardroom, a swimming pool, a gym, and The Protea restaurant and Club Lounges on the ground floor. The Highline restaurant and function area offers panoramic views of the skyline from the ninth floor. Several additional services were added to the brand, especially in terms of food and beverage offerings created by the hotel's executive chef. The hotel's Green Star rating also positions CLHG as an even more environmentally sustainable brand and showcases the group's new technological innovations.

Current locations

- **Johannesburg** (Rosebank, Sandton and Waterfall City)
- **Port Elizabeth**
- **Tshwane** (Arcadia)

Our rooms

- Studio, one and two-bedroom luxury air-conditioned rooms
- Well-appointed bathroom(s)
- Fully equipped kitchenette
- Electronic safes large enough to accommodate a laptop
- International direct-dial telephone
- Television with selected DStv channels and radio stations
- Cotton-rich percale linen
- Tea and coffee-making facilities
- Selected rooms designed for those living with disabilities

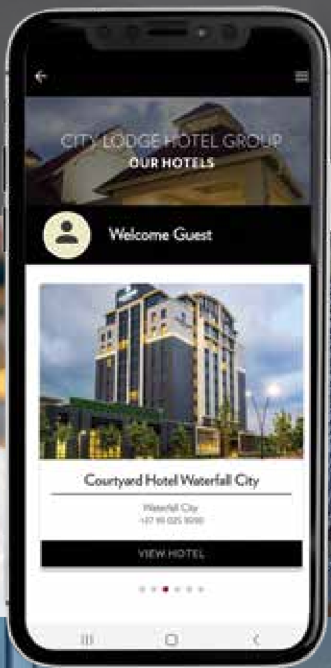
Our services

- Intimate lounge area
- Restaurant serving breakfast, lunch and evening à la carte meal offering
- 24-hour enhanced security
- Free, secure parking just metres from the suite's door
- An elegant boardroom for guest use
- Personal use of guest office
- Sparkling pool in a landscaped garden setting
- Full English, continental and light breakfast daily
- In-room dining by arrangement with local restaurants
- Same-day laundry and dry-cleaning service
- 24-hour launderette
- Personalised food shopping service
- Complimentary WiFi
- On-site fitness centre in selected hotels

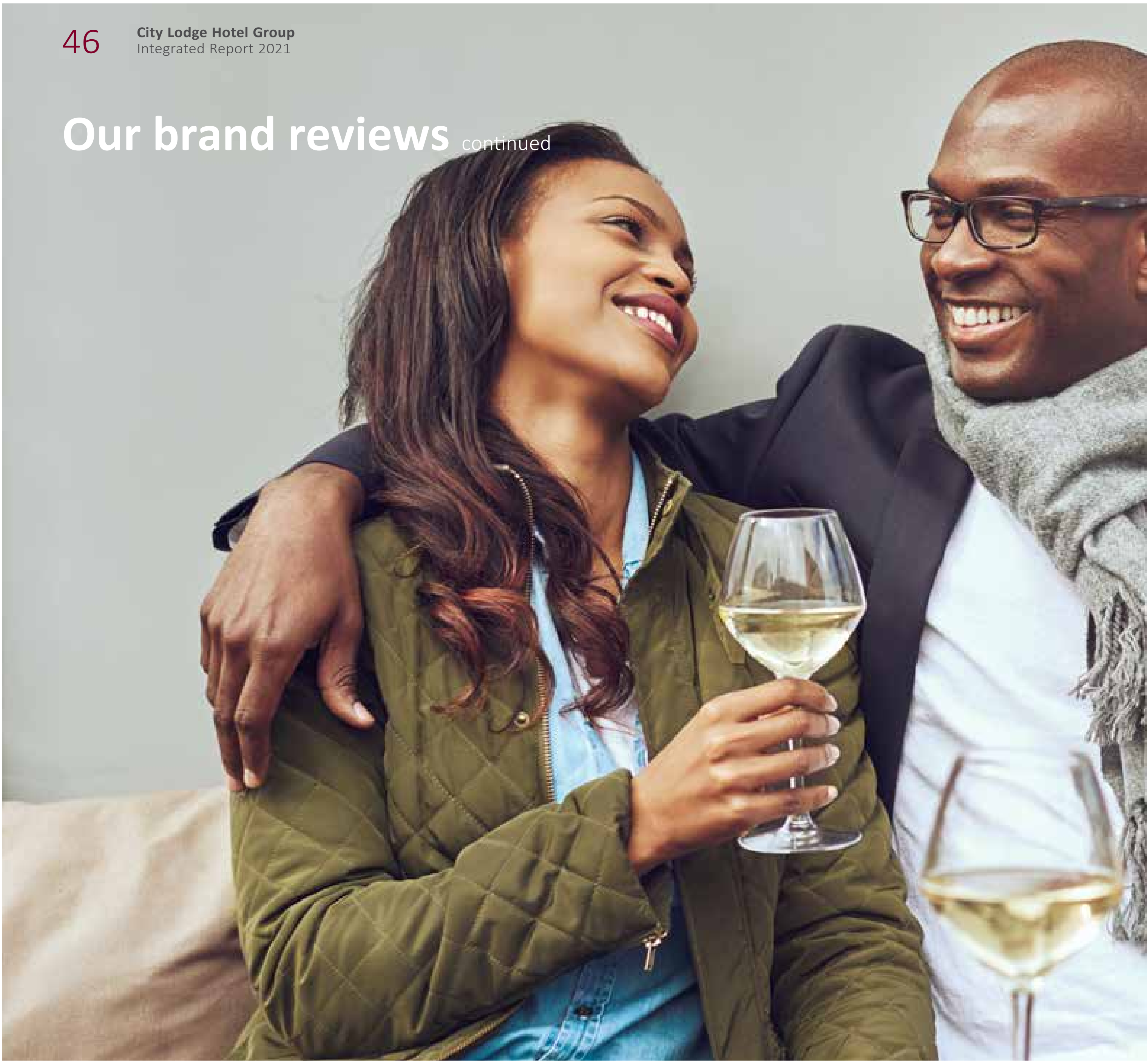
COURTYARD HOTEL

Designed to impress

5 HOTELS
480 ROOMS
#YOUR PRIVATEOFFICE



Our brand reviews continued



Little comforts can turn a good stay into an unforgettable experience. The City Lodge Hotels are particularly popular among business travellers during the week, while leisure travellers are attracted by weekend promotions, our great locations and targeted campaigning.

City Lodge Hotel continued adding fun and relaxation elements to the brand by extending the in-house #Cafe menu across all dietary requirements, from vegan to Banting and a variety of bar snacks.

Current locations

- **South Africa:**
  - **Bloemfontein**
  - **Cape Town** (GrandWest, Pinelands, V&A Waterfront)
  - **Durban** (Central, Umhlanga Ridge)
  - **Johannesburg** (Airport – Barbara Road, Bryanston, Fourways, Newtown, OR Tambo International Airport, Sandton, Waterfall City)
  - **Port Elizabeth**
  - **Tshwane** (Hatfield, Lynnwood)
- **Maputo, Mozambique**

Our rooms

- Spacious air-conditioned rooms with queen sized beds or twin beds
- Television with selected DStv channels and radio stations
- En-suite bathroom with shower. Selected rooms offer a bath
- Tea and coffee-making facilities
- Rooms with sleeper-sofa available at selected hotels on request
- Electronic safes large enough to accommodate a laptop
- Desks with lighting and plugs for easy connectivity
- Plush duvets with cotton-rich percale linen
- Selected rooms designed for persons with disabilities

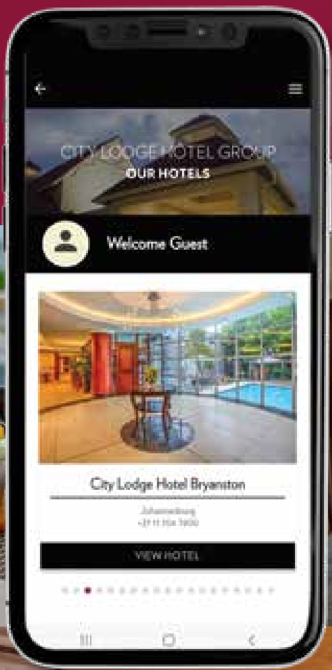
Our services

- #Cafe restaurant and Sundowner bar
- Fitness room
- Boardroom
- Convenient locations, close to major travel routes
- Full English, continental and light breakfast daily
- 24-hour reception and check-in
- 24-hour vending machines stocked with snacks and cold beverage items
- Same-day laundry and dry-cleaning service
- Sparkling swimming pool
- Free and convenient parking
- Free uncapped WiFi

CITY LODGE HOTEL

Comfort in the little things

21 HOTELS
3 600 ROOMS
ONLINE CHECK-IN



Our brand reviews continued

The Town Lodge brand caters to a creative, millennial guest and features generous shared working spaces, strong WiFi connectivity with modern, fresh and welcoming rooms. Town Lodge is the perfect solution for those who do not want to break the bank but still enjoy a little extra with their stays. Town Lodge guests are both price aware and value orientated.

We also place a strong focus on creating an ambience of natural fabrics and textures. In the past year, Conmar Horticulture won a South African Landscaping Institute (SALI) Award for Best Interior Plantscaping for its work in the spacious, airy restaurant at Town Lodge Umhlanga. The judge commented that the overall choice of plants achieves pleasing contrasts with a calming and peaceful effect.

Current locations

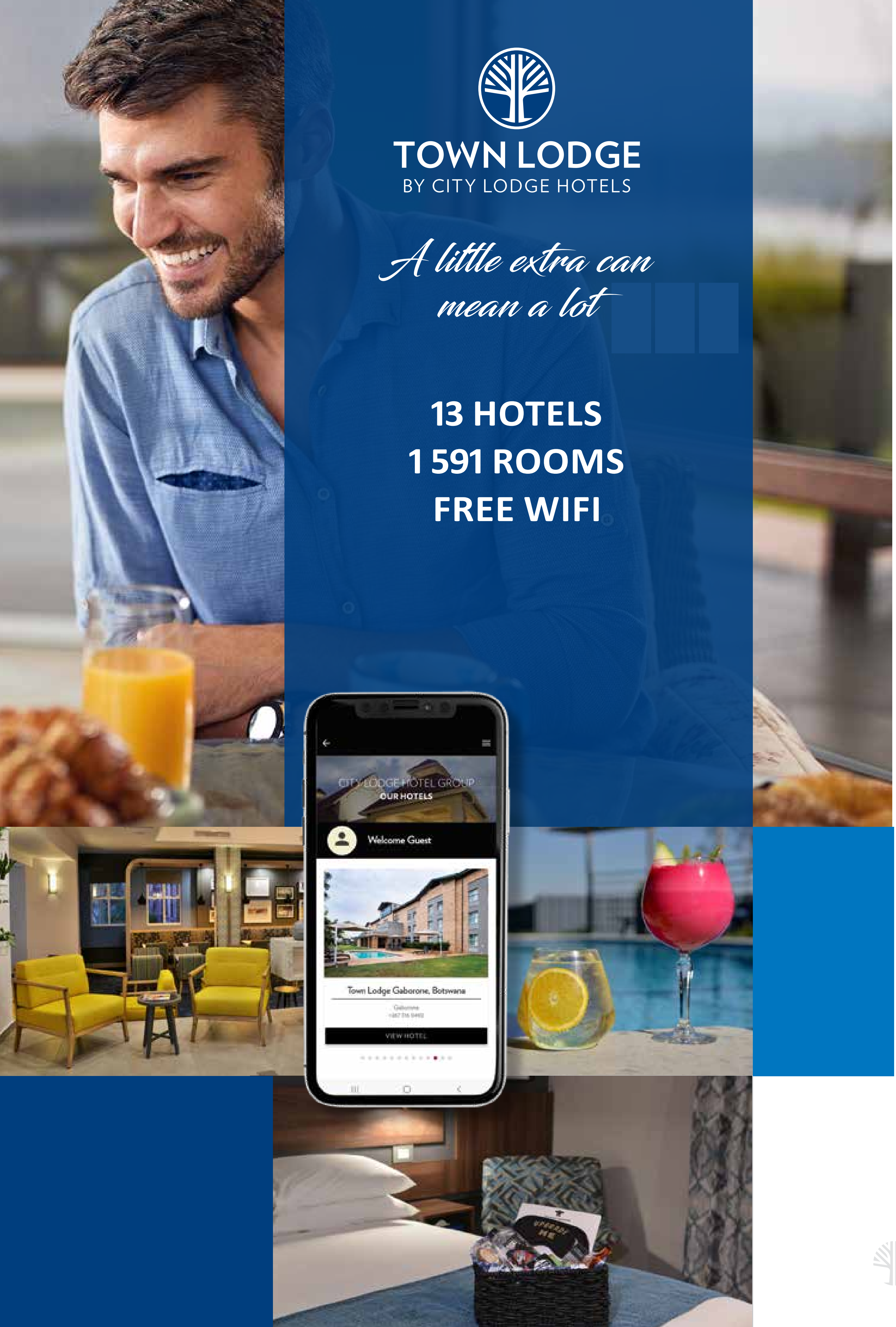
- **South Africa**
  - **Bellville**
  - **George**
  - **Johannesburg** (OR Tambo Airport, Midrand, Roodepoort)
  - **Mbombela**
  - **Polokwane**
  - **Port Elizabeth**
  - **Tshwane**
  - **Umhlanga**
- **Gaborone, Botswana**
- **Windhoek, Namibia**

Our rooms

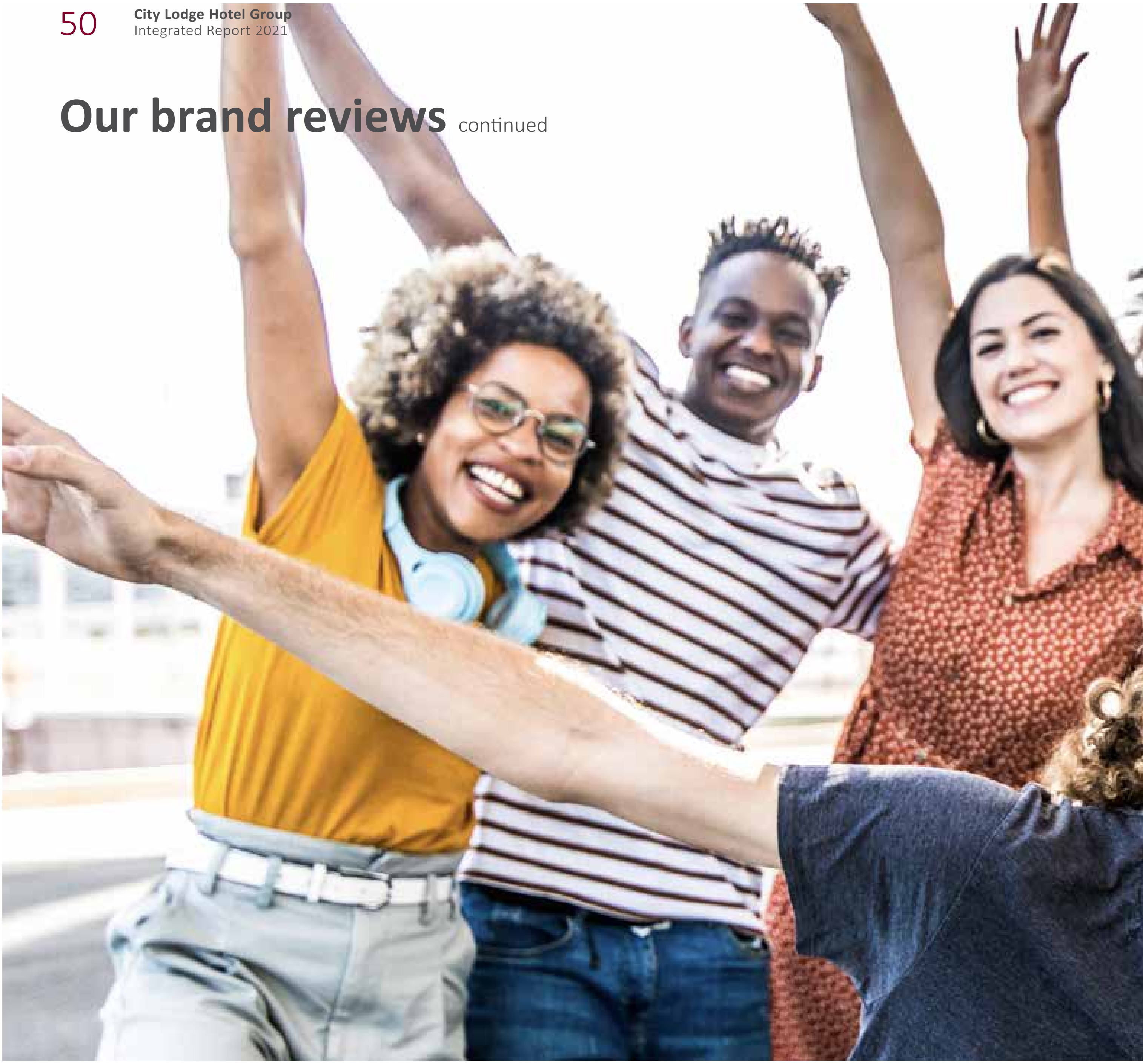
- Spacious air-conditioned rooms with double or twin beds
- Television with selected DStv channels and radio stations
- Interleading family rooms available
- En-suite bathroom with shower
- Tea and coffee-making facilities
- Desks with lighting and plugs for easy connectivity
- Electronic safes large enough to accommodate a laptop
- Plush duvets with cotton-rich percale linen
- Selected rooms designed for those living with disabilities

Our services

- Convenient locations, close to major routes
- Free, easy and secure parking
- 24-hour reception and check-in
- Full English, continental and light breakfast daily
- Sundowner bar
- 24-hour vending machine for snacks and beverages
- Same-day laundry and dry-cleaning service
- Fast, reliable, and free WiFi


TOWN LODGE
BY CITY LODGE HOTELS
A little extra can mean a lot
13 HOTELS
1 591 ROOMS
FREE WIFI
CITY LODGE HOTEL GROUP
OUR HOTELS
Welcome Guest
Town Lodge Gaborone, Botswana
Gaborone
VIEW HOTEL

Our brand reviews continued



People sometimes need accommodation with no frills, no fluff and no fuss. The Road Lodge brand provides affordable stays across South Africa by giving guests the best basic services, offering a hospitality solution for those with simple needs and a lower budget.

The Road Lodge brand caters largely to budget-conscious business travellers who are self-employed or employed by smaller corporates. The brand is also popular for family travel and school or sports group trips.

Road Lodge was the best performing CLHG brand during the pandemic and occupancy rates remained encouraging. We have a reputation for clean hotels, making companies more comfortable with Road Lodge accommodation than less formal guesthouses.

Current locations

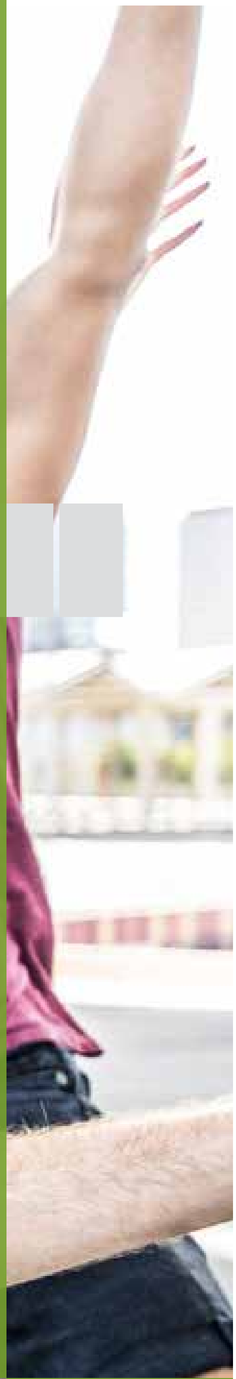
- **Bloemfontein Airport**
- **Cape Town** (N1 City, Cape Town International Airport)
- **Centurion**
- **Durban** (Central, Umhlanga Ridge)
- **East London**
- **Johannesburg** (Carnival City, Germiston, Isando, OR Tambo Airport, Randburg, Rivonia, Sandton and Southgate)
- **Kimberley**
- **Mbombela**
- **Pietermaritzburg**
- **Port Elizabeth** (Port Elizabeth Airport, Summerstrand)
- **Potchefstroom**
- **Richards Bay**
- **Rustenburg**

Our rooms

- Rooms with double or twin beds, with single sleeper chair available in selected rooms
- Fully air-conditioned rooms
- Television with DStv channels and radio stations
- Working desks
- En-suite bathrooms with shower, toilet and hand basin
- Selected rooms designed for persons with disabilities

Our services

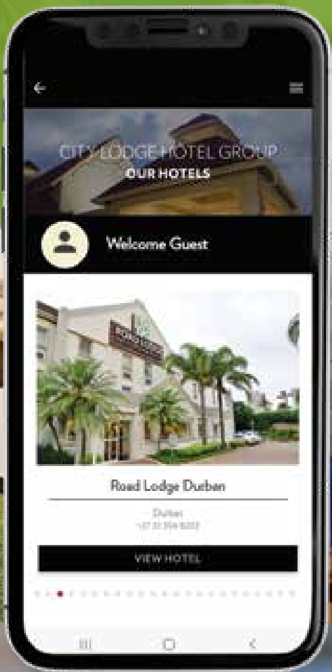
- A light breakfast is available daily
- 24-hour vending machines stocked with snacks and beverages
- Ample free and secure parking
- 24-hour reception service and check-in
- Free WiFi



ROAD LODGE
BY CITY LODGE HOTELS

Basically brilliant

23 HOTELS
2 272 ROOMS
FREE WIFI



Sustainability review

OUR APPROACH TO SUSTAINABILITY

In the year under review, the Covid-19 pandemic ravaged the tourism and hospitality industries across practically the entire world. Ambitious and transformative policies are now needed to engage the main structural challenges hampering the competitiveness of the tourism sector. At the same time, these plans should be aligned with the great global challenges of digitalisation and climate change. Companies should pursue sustainable growth that ensures the greatest social and economic profitability, public support and the lowest environmental impact.

The Group's 'sustainabili-tree' mirrors its logo, with sustainability integrated into our operations and branching off in several directions at once, including:

- ***Water and energy conservation***
- ***Solar power***
- ***Amenities free from single-use plastics***
- ***Community upliftment projects***
- ***Animal anti-cruelty***
- ***Technology that reduces paper while offering safe, contactless operations***

Courtyard Hotel Waterfall City was awarded Green Star 4-star Custom Design rating for hotel design from the Green Building Council South Africa

SUSTAINABILITY REPORTING FRAMEWORKS

The Value Reporting Foundation (VRF) offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value and how it is created, preserved or eroded over time. We monitor and report our performance against the six capitals outlined by the VRF's International <IR> Framework, namely:

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- INTELLECTUAL CAPITAL
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- NATURAL CAPITAL

The outputs from leveraging our capital inputs create value for stakeholders and result in certain outcomes, which may be positive or negative, depending on the context. These are discussed in this report's narrative on 'the six capitals'.

The United Nations Sustainable Development Goals (UN SDGs) set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. CLHG's sustainability strategy inherently aligns with the attainment of the following UN SDG goals:

The group continues to monitor itself, mainly against principles 7, 8 and 9 of the UN Global Compact with regard to its environmental sustainability and responsibility.

FINANCIAL AND MANUFACTURED CAPITAL

Financial capital at a glance

Revenue	Group operating costs	Impairments	Net loss
R0.51bn	R570m	R417.4m	R804.6m
2020: R1.16bn	2020: R736m	2020: R391.6m	2020: R486.6m

Development highlights

- The 168-room Courtyard Hotel Waterfall City opened on 1 March 2021 and is the group's 63rd hotel
- Two hotels have rebranded and repositioned their offering to better suit the market needs of the area
- Courtyard Hotel Rosebank underwent refurbishment of its bedrooms

Cost containment was a key focus area in the past financial year. While it could not prevent the large-scale impact of the pandemic and various lockdown measures on revenues, it mitigated CLHG's losses for the year.

OCCUPANCY PERFORMANCE

The group's performance depends on its ability to maintain or improve occupancies at its 63 hotels. The Covid-19 pandemic significantly reduced global travel and consumer demand for hotels, resulting in a material slowdown in global commercial activity across the hospitality and travel industries.

Occupancies based on total inventory have steadily improved from the last quarter of the 2020 financial year, which ended on 4% occupancies, to 7% in July 2020 when the group reopened a total of 36 hotels. CLHG ended the financial year in June 2021 with a monthly occupancy of 25% in the midst of the third wave of infections and adjusted level 4 restrictions. Occupancy for the group was 19% of the total hotel inventory, compared to 38% in 2020 and 55% in 2019. A total of 53 hotels were open on 30 June 2021.

With minimal international travel allowed throughout the period under review, the emphasis has been on boosting domestic travel, both business and leisure. At present, approximately 77% of our guests are business travellers of which 8% are government travellers. Given the impact of Covid-19, the weak economy and continued low business confidence levels, business travel remains under pressure, while leisure travel is negatively affected by the climbing unemployment rate.

	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Average group occupancies	All hotels: 19% Open hotels: 26%	38%	55%	59%
Average South African occupancies	All hotels 21% Open hotels: 28%	41%	58%	61%

The group's operating environment will continue to be challenging in the year ahead. We are optimistic that demand will return in the first quarter of 2022 when the vaccination programmes open up travel from international markets again. Regardless of the outcome, CLHG's BAR methodology will help to optimise demand and increase occupancy.

AVERAGE DAILY RATES (ADR)

Average room rates reduced by 13% compared to the prior year (2020: increase of 2.2%; 2019: increase of 3.5%).

CLHG's operating expenses and other costs decreased year on year as a result of stringent cost-cutting measures, including temporarily suspending services in some hotels as required by low demand.

One of the considerable challenges brought on by the pandemic was the discounting behaviour of other hotels as each struggled to maintain occupancy. It drove down room rates, with the 4- and 5-star accommodation providers cannibalising the 2- and 3-star markets. However, our cost-effective Road Lodge offerings remained popular during this time and the CLHG rates remained steady compared to pre-Covid-19 rates. All the City Lodge brands continue to offer value, as evidenced by moderate level of discounting compared to some of our peers.

Sustainability review continued

HOTEL FOOTPRINT

As at 30 June 2021, the group operated 63 hotels spread across five brands, of which 52 are directly owned by CLHG.

Brand	Number of hotels	Location
Fairview Hotel	1	Kenya
Courtyard Hotel	5	South Africa
City Lodge Hotel	21	South Africa, Tanzania, Kenya, Mozambique
Town Lodge	13	South Africa, Botswana, Kenya, Namibia
Road Lodge	23	South Africa

Future developments have been placed on hold in response to the cash constraints resulting from the pandemic.

While the group is on the lookout for opportunities to purchase land or hotels that may be in financial distress because of the pandemic, the sale of our four East Africa hotels post year-end provides an opportunity to get to a profitable position sooner. According to our projections, this region will take considerably longer than the southern African market to recover, so the decision to divest was a sensible one.

KEEPING OUR HOTELS IN GREAT SHAPE

CLHG follows a stringent refurbishment programme, although all non-essential capital expenditure was suspended during the financial year in light of the liquidity constraints brought on by the pandemic. As at 30 June 2021, this investment amounted to R2.7 million (2020: R4 million), expended primarily on rebranding and refurbishment works and the replacement of sundry furniture, fittings and equipment at other hotels. The Courtyard Hotel Rosebank's refurbishment was completed in December 2020.

The group invested R74.6 million in new developments, particularly the construction of the new Courtyard Hotel Waterfall City and completing the City Lodge Hotel Maputo. By paying close attention to the changing needs of the market, the group ensures that its properties stay relevant and appealing. The rebranded City Lodge Hotel Eastgate (previously a Courtyard Hotel) retains its elegant and comfortable aesthetic, while appealing to business travellers who visit the area. Road Lodge Sandton (previously a Town Lodge) brings affordable, comfortable accommodation to price-conscious travellers to the area, augmenting the group's other offerings. CLHG, therefore, offers accommodation to every potential guest, no matter their budget.

People caring for people – guest feedback

CITY LODGE HOTELS

City Lodge Bloemfontein

"I was originally planning to stop over in Colesberg on the long drive from Cape Town to Johannesburg; however, load shedding in the Northern Cape put a stop to that idea and it was decided to continue for another two hours to Bloemfontein. The City Lodge is a good mid-range hotel located just off the N1 and close to all the facilities and attractions that the Free State capital has to offer. This was an unexpected stay and the first at this hotel for me since 2010. Rooms were well appointed and very comfortable. It was a cold night in the Free State and the heating was very welcome. The property was able to withstand the load shedding. Despite RSA being on Level 2 restrictions, the City Lodge was buzzing with a good atmosphere and the restaurant was well patronised. Food in the restaurant was plentiful and delicious, all at reasonable prices. The breakfast buffet had many options catering to all tastes and is highly recommended, if a little pricey at R140. Staff were friendly and keen to help."
~ Stephanie

"Clean rooms, secure and great staff, the receiving staff at Reception was the best of all, made me feel sooo welcome away from home. The breakfast was ever so delicious. Please recognise the staff for their exceptional service."
~ Gabriel

"This hotel has adapted to the Covid-19 challenge really well! We stayed over driving back from George to JHB. From the moment we stopped, we felt safe. Staff are so friendly! Efficient! Very welcoming! Check in was fast and efficient. Room was clean! Comfortable! Tasty food! Value for money. Godfrey, our waiter, was just phenomenal! Even though it was a quick stop-n-go, the experience was great. (Everything worked. My opinion: just the TV was in an awkward position.)"
~ Gavin

INTELLECTUAL CAPITAL

SALES AND MARKETING – ALIGNING WITH WHAT HOTEL GUESTS WANT

To compete sustainably, CLHG must differentiate its brands, publicise the quality and value of its offerings, and maintain a large and loyal customer base who regard our hotels as their home away from home.

Our sales and marketing department manages vital intellectual capital aspects: maintaining a positive brand reputation, innovating constantly, and leveraging client feedback to improve operating efficiencies.

We differentiate our brands to accommodate every type of traveller and budget.

Fairview Hotel	Comfort where you need it most
Courtyard Hotels	Designed to impress
City Lodge Hotels	Comfort in the little things
Town Lodge	Little extras mean a lot
Road Lodge	Basically brilliant

Our marketing position

We are in a low-occupancy environment in a highly competitive sector, limiting the available share of 'market pie'. Our new pricing strategy strikes a balance between affordability for guests and covering the group's costs and, as several smaller competitors exit the market, we expect the revenue model to ensure we recover faster when demand returns.

We rely on public relations and social media channels for brand exposure. The group's participation in several online webinars and virtual events, supplemented by the availability of CLHG senior management to interact with the media and provide input into articles relevant to the industry help to bolster the brand.

CLHG is well placed to be the first choice for safe accommodation as travel restrictions ease. Our well-known strict hygiene protocols and contactless solutions, from check-in to check-out, are an advantage during times of heightened safety awareness.

Now, as the vaccine rollout continues and the pent-up demand for travel builds even further, the group's narrative shifted towards 'Getting back to living', with CLHG ready to welcome guests and provide them with a comfortable stay without relaxing our hygiene protocols. A reputable, independent service provider continues to conduct risk assessment audits on our properties to ensure our Covid-19 protocols are effective. Our 'Safe Travels' stamp from the World Travel and Tourism Council (WTTC) assures our guests that they will be safe with us.

Pricing and revenue strategy

In previous years, CLHG offered a single rate regardless of seasonality or demand. In FY2021, we introduced the BAR methodology, which ensures that we offer our rooms at the right price relative to supply and demand. The new AI tool helps our hotel general managers to predict and implement the best rate, driving increased revenue for CLHG during times of intense market competition or peak seasons.

CLHG also needed to adapt to a flattened demand curve. Historically, mid-week demand would outshine weekend occupancies as most business travel takes place during the week. The group capitalised on this trend by encouraging business travellers to extend their stay for a leisurely weekend. However, demand evened out under lockdown. Our weekend (WKND) specials are now targeted at leisure travellers.

Monitoring and building our brands

In the digital age, a guest's journey starts with browsing online for accommodation. We continue optimising online booking options through our website and listings with online travel agencies (OTAs). Online booking platforms also contribute to brand reach across both international and local markets. We continue to strengthen these partner relationships as we rebuild our future.

The group monitors online reviews on platforms like TripAdvisor, with every review receiving an individual response. This feedback from our guests, as well as responses to our Rate Us survey, forms part of our quality assurance system, helping to identify recurring trends and improve our service delivery.

Based on the feedback from guests and international trends, CLHG meets industry benchmarks in terms of in-room amenities, cleanliness, friendliness and professionalism, safety and security, location, and convenience.

Marketing and selling our brands

CLHG's most important marketing message is that our hotels are open, clean and safe for both leisure and business travel, whether our guests are staying over or just visiting for the day. Our partnerships enable us to offer the right catering solution for events and co-branding with other reputable brands is beneficial for both our guests and our reputation.

Throughout the year, through the ups and downs of the pandemic, we used interactive and educational webinars, radio interviews and panel discussions to build our credibility as a voice for the industry. We shared information about our Covid-19 protocols for guests and employees. This gave us an advantage at a time when many industry players paused their public relations initiatives.

Social media is growing in importance for communicating with potential guests. Its cost-effectiveness when compared with other marketing channels also made it a primary tool in the cash flow constrained pandemic environment. Social media users are influenced by reviews and customer support on social media platforms. CLHG's strategy aims to grow its online community by providing compelling content to drive engagement and brand awareness.

At the same time, we are staying close to our corporate supporters and travel agents by maintaining mutually beneficial relationships that will help to raise our occupancies. We participate in client workshops and travel days, and host sales activations and client appreciation

Sustainability review continued

functions. In addition, we have established marketing partnerships with various companies, such as airlines, car rentals, retailers, and banks to pass on value to their clients.

No matter how effective our marketing strategies are, the guest experience ultimately determines loyalty. We are exploring ways to use the CLHG Rewards programme and Corporate Club to provide a more customised experience for our loyal guests.

Protecting personal information

As the ability to track and analyse customer behaviour becomes more sophisticated, so the need to manage and protect personal information becomes essential. Consumers and regulators have become increasingly concerned about the security of personal data and how it is being used.

CLHG is fully compliant with all aspects of the POPI Act, which came into effect on 1 July 2021.

LEVERAGING TECHNOLOGY

Our focus on innovation and technology was a priority well before Covid-19 shifted the way communities work and interact. The group is constantly on the lookout for technologies that will enhance guest experiences. More than a year since South Africa's lockdown restrictions began, our central office employees are still working from home seamlessly via a secure, cloud-based Citrix environment.

Over the past two years, we upgraded the IT infrastructure at all our hotels to achieve consistent connectivity, improved security, more flexibility, and reduced operating costs. We also improved our security systems and launched the third iteration of the City Lodge app.

New WiFi offering

Upgrading the WiFi solution at 63 hotels is a considerable achievement, given the post Covid-19 world where remote, reliable and effective connectivity is paramount to both business and leisure. We deployed a new CLHG owned WiFi solution that gives us more flexibility and reduces our monthly expenditure for this service.

This WiFi system enables new service opportunities for our guests. One example is a new solution currently in the trial phase at two of our hotels, where guests place food orders on a mobile phone or handheld tablet with pre-installed software to facilitate smooth, paperless ordering.

The improved WiFi solution also gives us more flexibility with the services deployed for each brand and guest. The new CLHG WiFi portal allows guests to connect with their reservation number, while visitors use a voucher system. In this way, members of the CLHG Rewards programme have access to better services. Should the trial for this service be successful, the group will roll it out across its entire portfolio.

The CLHG mobile app

Our City Lodge mobile application enables guests to make online reservations, check in, post on social media, access CLHG Rewards, and find out about local attractions. In certain hotels that are part of the trial, guests can open their hotel room doors or control their television and air conditioner through their phones. Virtual voice calls through the application are also being tested.

Reducing physical touchpoints

To ensure the safety of our guests and employees, we are using technology to reduce physical touchpoints in our hotels. Covid-19 accelerated this process.

CLHG deployed online forms and QR codes to reduce the use of paper. We improved our QR code brochure so that guests have access to hotel-specific information and interactive menus. Guests are also encouraged to check in online, thereby negating the need for paper-based registration. Both guest and staff Covid-19 screening information are captured digitally.

Guests can use WhatsApp to communicate with the hotel's reception through the in-house WiFi. If guests have questions or concerns, our employees can remain in contact with them on WhatsApp after they check out.

BI capability

The group is using a new BI tool, Qliksense, to improve decision making and hotel and guest management through guest data analysis. Our sales team leverages the BI tool to track new business and personalise offerings for guests, corporate clients and agencies while monitoring the success of the group's various sales and marketing campaigns.

CLHG is also trialling a new AI tool at 25 of our hotels, with a view to rolling out the tool to all our hotels on a phased basis. The tool aggregates and analyses CLHG historical performance data and external environmental data to provide predictive analysis of future demand and trends. Gathering relevant industry data, including flight and car rental data, allows us to better predict occupancy and demand to enable us to forecast revenue more precisely. This tool already complements the BAR methodology.

The Guest 2.0 Experience

We mapped out every step of the guest journey with City Lodge, from browsing for and booking accommodation online, to departure and post-departure. Each step was analysed for efficiency. While many of the solutions brainstormed are on hold because of financial restrictions, we are implementing phased improvements, including enhancements to our mobile application.

The process begins with the guest searching for accommodation, usually online. We, therefore, expanded on the local attraction information on the website and are adding new images for greater visual appeal.

Other enhancements to the guest journey include new payment options such as SnapScan to ease the booking process. We added an electronic fund transfer functionality to our payment gateway for online purchases and guests can pay for all their bookings online.

To streamline our communications with our guests, we introduced a single communication platform that allows both the marketing team and the hotel to email or SMS guests, while complying with the POPI Act.

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HUMAN CAPITAL

OUR HUMAN RESOURCE PHILOSOPHY AND APPROACH

We operate in a competitive service-oriented industry. Our employees are the most important contributors to our ongoing success as daily client-facing brand ambassadors. They are supported by a corporate culture that emphasises 'people caring for people.'

During Covid-19, our employees went above and beyond the call of duty to ensure memorable guest experiences. Even though many of the group's hotels had to temporarily suspend services for extended periods over the course of the year, our employees were ready and able to serve at all times.

EMPLOYEE VALUE PROPOSITION

City Lodge Hotel Group is a values-driven organisation. We are passionate about our employees, about service and about identifying, growing and encouraging leadership that is dedicated to making a difference at every level.

We take every opportunity to grow both internal and external talent through targeted development programmes and meaningful succession planning. We attract retainable and productive employees by offering a safe and stimulating work environment, a unique identity and diverse culture, interpersonal significance, and innovative work practices.

CLHG has expanded over the years and we are always on the lookout for fresh and diverse talent to add to our growing family. We pride ourselves on above-average employee engagement resulting in below-average attrition, our workforce says that job security, employment benefits and job satisfaction are what CLHG does best. Through our internal recognition and reward programme, we encourage staff and guests to recognise when our teams are doing things right.

To ensure that we 'walk the talk' as a team, we commit to demonstrating the CLHG leadership drivers and living the group's values and fundamentals at all times. CLHG leaders guide their teams according to five imperatives:

- Lead by example
- Innovate and own their businesses
- Empower people to engage and act
- Inspire a shared vision
- Encourage the heart

We are proud that 91% of our current leaders were groomed internally. Attracting and retaining top talent is crucial to developing a sustainable pipeline of leaders for the future and our employee turnover rate of 3.45% is significantly lower than the industry average.

Year	Voluntary turnover	Involuntary turnover	% of total headcount
2020/21	28	11	3.45
2019/20	41	22	5.52
2018/19	69	33	8.48
2017/18	74	19	7.88
2016/17	60	37	8.69

We were pleased to have avoided any retrenchments so far during the pandemic, and we continue to pay salaries, albeit at a reduced rate.

EMPLOYEE ENGAGEMENT

Communication is critical to mitigating the tension and uncertainty brought on by Covid-19. CLHG provided employees with advice and counselling resources throughout the pandemic, helping them care for their wellbeing and fostering self-development. All our managers were equipped with tools, learnings and resources to lead in times of uncertainty. Constant training also ensured that employees were empowered to keep guests and colleagues safe against the pandemic.

A new internal Facebook group was established to keep employees connected during this time. This online platform has grown to serve as a fun, inspirational and newsy space for the team to share their successes, colleague commendations, vaccinations, team events, news of upcoming industry events, and so much more. It is a boon for team spirit when many of the staff are working from home.

In the past financial year, CLHG started the journey towards updating our corporate culture to attract younger generations of employees and guests without losing our caring identity. We conducted an organisational culture survey to gain insight into the group's current culture and where it needs to shift. The feedback from the survey forms a baseline for developing an effective and deliberate culture change for the future.

Employee and industrial relations

The South African Commercial, Catering and Allied Workers Union (SACCAWU) currently represents 13.69% of the group's employees, with 15.86% of those occupying positions within the defined bargaining unit. CLHG maintains a recognition agreement with SACCAWU. No workdays were lost because of industrial action during FY2021. Group managers and union shop stewards attend refresher courses on group policies and procedures to facilitate communication and collaboration.

HEALTH AND SAFETY

While CLHG's properties are not inherently high-risk areas, the group takes all necessary measures to ensure the safety of guests and employees. Every hotel has a health and safety committee, with appointed people being responsible in terms of the Occupational Health and Safety Act.

The group's adherence to health and safety practices is reviewed annually as part of the internal audit process and our service providers are required to adhere to CLHG health and safety requirements. All our hotels are required to maintain

Sustainability review continued

hygiene standards that meet or exceed Hazard Analysis of Critical Control Points (HACCP) legislation.

Keeping our people safe during a pandemic

CLHG readily complies with all government measures and regulations introduced to curb the spread of the Covid-19 virus across all the territories we operate in.

The group's safety measures include providing personal protective equipment, sanitising materials and hygiene training to employees. We also conduct daily Covid-19 screenings, with contact tracing in positive cases and our hotels installed protective screens at our front desks and food and beverage service areas. The group's protocols are extremely thorough, setting an industry standard that was presented to government and adopted by other hotels.

By law, CLHG cannot mandate vaccinations for all its staff. However, CLHG encourages vaccination and will help our staff, especially those living with comorbidities, to gain this additional immunity where we can so that they can safely continue guest facing activities.

Safety performance

During the year, seven minor staff health and safety issues were reported and resolved (FY2020:7).

Wellness programmes

Employees have access to an independent wellness programme offering:

- free counselling for trauma and mental health
- debt counselling and protection issues
- retirement planning.

ATTRACTING, RETAINING AND MOTIVATING PEOPLE

The group talent manager is primarily responsible for attracting, developing and retaining high-calibre people. Following annual appraisals for all CLHG employees, those who show leadership or specialist potential are placed on specific career development paths. We prioritise previously disadvantaged individuals in accordance with our employment equity and transformation goals.

Training and development

We are passionate about developing people and offer various opportunities:

- On-the-job training
- E-learning
- Internal development programmes
- Learnerships
- Work integrated learning
- Succession planning
- Accelerated Development and Deployment Programmes (ADDP)
- Graduate Intern Programme (GIP).

During the reporting period, our employee development focused on three primary areas:

- Compliance: health and safety, hygiene, first aid, firefighting, POPI Act compliance, and employee accreditation in line with job responsibilities
- Industry skills: bespoke property management system training, in-house procedures
- Career development: hospitality management skills and knowledge obtained through reputed institutions.

Training and development highlights

Every year, the group looks forward to welcoming hotel school students from across South Africa to gain practical experience at the group's hotels, as part of our work-integrated learning. Following the advent of Covid-19, which resulted in the temporary suspension of services in several of the group's hotels and disruption to the academic year, this programme was suspended in 2020. However, the group celebrated several other highlights:

- City & Guilds qualifications: CLHG permanent employees may attend these programmes to earn an internationally recognised qualification. A total of 46 employees are registered on various programmes, with 12 employees passing their City & Guilds exams during the second half of the financial year.
- Learnership opportunities to unemployed individuals: The group is currently hosting 15 previously unemployed learners in a Hospitality Reception programme.
- Executive Development Programme for Women in Leadership: Three junior management employees are participating in this programme. It is funded by the Department of Tourism in partnership with the University of South Africa (UNISA).
- The group participated in a food and beverage learnership programme in the Free State funded by the Department of Higher Education and Training.
- The group participated in a 12-month work integrated learning programme in Mpumalanga, empowering unemployed youth with essential workplace experience, skills and exposure.

Succession planning

As a part of our succession planning strategy, up to 10 talented black candidates are selected every year for accelerated development through our accelerated development and deployment programme. Several of CLHG's current general managers are graduates of this programme.

Skills development committee

The skills development committee is mandated to deal with skills development issues and to assist in determining the group's skills requirements. The committee meets at least bi-annually and includes:

- the HR divisional director
- the group's skills development facilitator
- a union representative and regional shop stewards
- staff members from different levels and backgrounds, elected by their constituencies.

The group's registered skills development facilitator, assisted by a training coordinator, submits a mandatory grant plan annually and reports on training achieved against that plan.

The following table is aligned with the reporting period for the Sector Education and Training Authority, which utilises a January to December calendar year.

Training spend over a five-year period

	2020	2019	2018	2017	2016
% of total payroll spent on training	1.74	3.53	4.00	3.75	3.94
% of total payroll spent on training previously disadvantaged employees	1.91	2.13	3.66	3.40	3.23
Total number of interventions attended by all employees	13 564	14 870	15 244	15 631	11 320
Total number of interventions attended by black employees	13 383	13 498	13 819	14 209	10 041
Total number of interventions attended by black female employees	8 691	8 859	9 055	9 494	6 441
Total spend on training and development	R4.4million	R10.1million	R11.2million	R10.5 million	R9.7 million

Although the liquidity constraints facing the group because of Covid-19 limited our training and development spending during FY2021, we continue to build employee skills in the new financial year.

Reward and recognition

Staff share scheme

The CLHG staff share scheme rewards employees who are employed by CLHG for longer than a year. It aims to incentivise employees and promote the continued growth of the group by allowing them to acquire shares in CLHG, aligning their interests with those of shareholders. The reward may be distributed as a dividend pay-out, or a combination of a share redistribution and dividend pay-out, depending on the group's performance.

WOW: Service excellence

We continually review our definitions of service excellence as client expectations evolve. We introduced a group-wide WOW programme to 'wow' all our stakeholders – whether suppliers, guests, or shareholders. The programme encourages employees across all CLHG levels and business functions to generate ideas for wowing guests. Every idea is thoroughly evaluated for its potential to improve services, save money and resolve speedbumps.

TRANSFORMATION

Broad-based black economic empowerment (B-BBEE)

Over the past few years, South Africa's B-BBEE landscape has changed considerably. Our transformation committee keeps CLHG abreast of the latest developments and identifies key focus areas.

The group achieved an overall Level 4 B-BBEE contributor rating in the prior year, which matured at the end of September 2021. At the time of publication, the group were in the advance stages of finalising the current year independent B-BBEE verification audit.

This year has met with many challenges as we try to navigate our B-BBEE strategies, while suffering constrained funds and Covid-19 restrictions.

- We continue to invest in the development of our people by encouraging skills development through new and existing e-learning courses, rather than historical off-site training sessions.
- We have maintained our socio-economic development partnerships, e.g. Emthonjeni Community Centre in Zandspruit, even during these difficult times to ensure we give back and help build our communities.
- We remain committed to our supporting Small and Medium Enterprises and our economic development partners, who have been hardest-hit by the pandemic in some cases, due to their reliance on the hospitality and travel industry.
- The CLHG share purchase in the B-BBEE SPV's in December 2020 has reduced the benefits derived on the ownership scorecard this year compared to prior years. We remain committed to optimising our share register credentials, and investing in a youth employment scheme in the short -term, while we evaluate the future B-BBEE ownership structure, in the medium to long term.

Scorecard element	Weighting	Score 2020/19	Score 2019/18
Ownership*Δ	27.00	17.68	16.90
Management control	19.00	13.49	13.71
Skills development*	20.00	17.69	17.84
Enterprise and supplier development*	40.00	34.35	34.89
Socio-economic development	5.00	7.24	8.00
Total B-BBEE score	111.00	90.45	91.34

** Priority element.*

Δ Sub-minimum score not achieved, resulting in a one level penalty to overall rating.

Sustainability review continued

EMPLOYEE PROFILE 2021

The following comparative table, in accordance with the Employment Equity Act, displays the company's South African operations' employee profile as at 30 June 2020 and 2021:

		Male				Female				Foreign nationals		
Occupational level	**Year**	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**Total**
Top management	**2021**			1	4	2	1	1	1			10
	2020			1	5	2	1	1	1			11
Senior management	**2021**	5	5		34	3	1		21			69
	2020	6	5		32	3	1		22			69
Middle management	**2021**	12	2		12	28	8	1	14		1	82
	2020	8	2		11	29	7	3	15		1	78
Junior management	**2021**	50	10		16	109	21	3	12		3	227
	2020	52	11		18	110	21	3	12		2	233
Discretionary decision-making	**2021**	101	14		12	176	26	7	42			381
	2020	114	16		12	193	29	8	48	1		425
Defined decision-making	**2021**	120	11		6	181	25			2		345
	2020	121	10		5	186	28			2		352
Total permanent	**2021**	288	42	11	84	499	82	12	90	2	4	1 114
	2020	301	44	11	83	523	87	15	98	3	3	1 168
Non-permanent	**2021**	9	2	1	1	17	2			1	1	34
	2020	9		1		11		1	1	2	1	26
Grand total	**2021**	**297**	**44**	**12**	**85**	**516**	**84**	**12**	**90**	**3**	**5**	**1 148**
	2020	310	44	12	83	534	87	16	99	5	4	1 194

People caring for people – guest feedback

CITY LODGE HOTELS

City Lodge Bryanston

"All the staff are well trained, they helped us with our mom, rooms were clean, food was perfect, the Manager, Sipho, was so friendly, and the waitress treated us like VIPs. Will definitely come again to the hotel. Sipho was outstanding in his treatment of me and my colleagues. This also goes out to Gift. I have found a home away from home."

~ Anonymous

City Lodge Hotel Durban

"This communique serves to compliment your team led by Xoli, Buyi, Sihle and others based on their respective roles for a great customer service. I have used the Durban City Lodge for the past 11 years and your staff keeps on raising the game. May they continue with the spirit of Ubuntu and humility. No doubt that loyalty is earned through commitment and consistency in rendering impeccable service to your clients."

~ Lihle Mqayi

COURTYARD HOTEL

Courtyard Hotel Waterfall City

"I'd like to express our deepest gratitude to the excellent service we received yesterday. The book launch wouldn't have been a success without your exceptional service. I was really amazed by the friendliness that your staff portrayed, I was truly blown away. They really went out of their way to ensure that we had everything we needed; not forgetting how delicious the food was. Compliments to the chef. I really look forward to have many more events at your hotel in the future."

~ P Sedupane

SOCIAL AND RELATIONSHIP CAPITAL

MAINTAINING KEY RELATIONSHIPS

Our people, and the relationships they build with others, are the foundation on which we grow and prosper. CLHG, therefore, adopts an inclusive approach towards creating long-term shared value for our shareholders, guests, employees, suppliers, and the communities in which we operate.

We actively engage with our key stakeholders and value their constructive feedback. Our various methods of engagement include among others; face-to-face interactions, formal and informal communication platforms, monthly blogs, results presentations, reports and our AGMs. We also engage through marketing campaigns, advertising, electronic media, newsletters, roadshows and public relations activities. CLHG regularly conducts surveys among our guests and employees, aiming to improve service delivery, guest experience and employee satisfaction. During the reporting period we obtained positive and constructive employee feedback via the WOW initiative, with appropriate individual responses given to each contribution.

Stakeholder feedback is regularly discussed at board meetings and ties into strategic decision making. The social and ethics committee provides oversight of the group's stakeholder engagement and is responsible for keeping the board abreast of arising material matters. Guest feedback, typically operational, is also included in reports to Exco for its members to consider. Any material or recurring aspects are discussed and addressed by our operations team.

In our continued efforts to promote honesty and ethics in our organisation and following all legislative and statutory requirements, CLHG partnered with Whistle Blowers to provide a hotline service for reporting issues and for the protection of the whistleblower.

Further information regarding our stakeholder relationships is available throughout this report:

Addressing stakeholders' interests	Stakeholder engagement table, pages 12 and 13
Interacting with our guests	Intellectual capital, page 55
Employee engagement	Human capital, page 57
Social and ethics committee report	Corporate governance pages 99 and 100

PARTNERING FOR ADDED VALUE

World Travel & Tourism Council	The World Travel & Tourism Council (WTTC) represents the global private sector of travel and tourism, with a mission to ensure the sector is seamless, secure, safe, inclusive and sustainable. Their specially designed Safe Travels stamp allows travellers to recognise countries and hotels around the world that have adopted health and hygiene globally standardised protocols.
Travel agents	Despite the devastation that the pandemic is having on the hospitality industry, we continue to pay 10% commission to IATA-registered travel agents and travel management companies on bookings for all of the group's hotels. We know that travel management companies and travel agents have been particularly badly affected by the lockdown and related restrictions. We value their business and are happy to reward them for continued loyalty.
Thrifty Car Rental	We partnered with Thrifty Car Rental to provide guests with the best available rates (BAR) when booking through their website. Thrifty Car Rental has a national footprint, with branches at all major airports, as well as centrally located city branches. The latest vehicle models are regularly added to their fleet, ensuring that we provide customers with the best quality vehicles.
Clicks	Clicks ClubCard members earn double points on the accommodation value of their stay at Courtyard Hotels, City Lodge Hotels and Town Lodges in South Africa, Botswana and Namibia.
Sunshine Tour	CLHG is a proud partner of the Sunshine Tour, Southern Africa's leading golf tour. It showcases both regional and international golfing talent and stages fantastic golfing events on a par with other internationally recognised tours.
Multiply	Multiply members save up to 45% when booking at any Courtyard Hotel, City Lodge Hotel or Town Lodge, and 10% at any Road Lodge.
MAD Leadership Foundation	CLHG is a proud sponsor of the MAD (Make A Difference) Leadership Foundation, focusing on developing and nurturing the leaders of tomorrow. Founded in 2003 by former Springbok rugby captain, Francois Pienaar, this foundation ties in with our emphasis on leadership and skills development towards building a bright future and a strong economy, in the best interests of all South Africans.

Sustainability review continued

CORPORATE SOCIAL INVESTMENT (CSI) INITIATIVES

CLHG runs an extensive corporate social responsibility (CSR) programme aimed at helping people and the environment. Some are directed by our national central office, while others are managed regionally by each hotel general manager, to benefit their local community. Over the past year, R3.5 million was donated to our various CSI initiatives.

Group initiatives

CLHG guests may choose a charity from our website and, when they book, a percentage of the accommodation fee is donated on behalf of our guests. We contribute R5 for every reservation made to the charity chosen. Our current charity partners are Food and Trees for Africa and the Hospice Palliative Care Association of South Africa. In addition, we run the Cuppa for CANSA initiative in our Road Lodge brand to support the CANSA Foundation.

While the group does not directly fundraise for charities, other than for our e-CSI and Cuppa for CANSA programmes, we provide our hotel rooms and facilities as products or prizes for charitable fundraisers.

Hotel initiatives

Each of our hotels adopts a local cause meaningful to their staff and partners. They raise funds, refurbish buildings and generally assist with fulfilling specific needs. Hotels typically choose beneficiaries with which they or their staff already have a relationship. We encourage our people to spend time with our charities instead of simply writing out a cheque. CSI spend is budgeted in line with hotel performance and the B-BBEE scorecard target of 1% of net profit after tax, which the group typically exceeds.

Linen and towels that are usable but no longer up to display standards are donated to children's homes, hospitals and hospices. In May 2021, the CLHG Sandton, CBD and West Rand hotels worked together to donate approximately R228 000 worth of linen, duvets, pillows, towelling, crockery, kitchen items, and body lotion to Emthonjeni Community Centre in Zandspruit. The community centre's Swop Shop, where community members can exchange recyclable materials for much-needed items, is a key part of helping both the community and the environment.

Emthonjeni Community Centre – bringing dignity to Zandspruit

CLHG always puts people first, especially our employees, guests and our various charitable partnerships. The Emthonjeni Community Centre is deeply rooted within the Zandspruit township it serves, embodying the message that all people – no matter what age, race, gender, social and economic position or abilities – should be able to contribute to society. The centre works hand in hand with corporates to deliver care-based projects in education and development through a swop shop, sewing centre, computer centre, knitting group, pre-school and aftercare facility.

CLHG has been instrumental in the success of Emthonjeni's swop shop. Items donated to the shop by CLHG are swopped for recyclable items and materials brought in by community members. This swop shop concept empowers individuals to provide for themselves and their families through their own hard and environmentally friendly work.

Emthonjeni's sewing project (Project Intombi) also repurposes used bathroom towels donated by CLHG, remanufacturing these into reusable sanitary pads. Since April 2021, Zandspruit community ladies have manufactured and distributed over 1 000 reusable pads for free, enabling local young women to manage their cycles with dignity and ease.

Hope, human dignity, skills transfer and physical and moral support, just to mention a few, are outcomes that CLHG aspires towards. We respect and appreciate all that Emthonjeni Community Centre does for the communities of Zandspruit, and are delighted at the opportunity to bring some light and hope to deserving people during exceptionally difficult times.

ENTERPRISE AND SUPPLIER DEVELOPMENT

CLHG helps several businesses to grow and create much-needed employment opportunities through our supplier development and support programmes. The group's preferential procurement framework identifies suitable beneficiaries to be empowered through loans, human resource capacity, and coaching.

During the year, the group continued identifying new, black-owned small, medium and micro-enterprises (SMMEs) for our supply chain.

After receiving financial support from CLHG our fresh produce suppliers purchased farmland north of Johannesburg and commenced small-scale farming operations which has steadily grown and now supplies some of the countries largest retailers.

GUEST SATISFACTION

The group has established a large base of loyal guests over several decades. We believe that the CLHG offering is differentiated by passionate people delivering kind and caring services to our guests.

Guest comments are directed by email to info@clhg.com and online through the Rate Us guest questionnaire. We also monitor Hellopeter.com, TripAdvisor, Facebook and Twitter.

The Rate Us questionnaire received approximately 6 800 responses during the year, yielding a pleasing average customer satisfaction score of 92.8% (2020: 89%). Using this instant feedback mechanism, our guests share their experiences directly, allowing us to give them more of what they want and to address any concerns they may have. Concerns are generally operational and are handled at the hotel level following established processes and protocols. Most compliments received are for exceptional service and friendly staff. We track market perception via regular brand tracking surveys and by monitoring brand sentiment across social media on a monthly basis.

AWARDS

Although achieving guest satisfaction is our primary reward, we do appreciate being acknowledged by other service providers.

TripAdvisor Travelers' Choice awards

The 2021 TripAdvisor Travelers' Choice awards for CLHG are:

- City Lodge Hotel Bloemfontein (South Africa)
- City Lodge Hotel V&A Waterfront (South Africa)
- Fairview Hotel (Kenya)

In 2020, these awards included:

- Fairview Hotel (Kenya)
- City Lodge Hotel at Two Rivers Mall, Nairobi (Kenya)
- Courtyard Hotel Port Elizabeth (South Africa)
- City Lodge Hotel Lynnwood (South Africa)

Agoda's customer review awards 2021

The Agoda Customer Review Awards recognise hotels that distinguished themselves with outstanding hospitality and consistently superior guest reviews. With the challenges faced by the travel industry over the past years, winning this award not only speaks about exceptional service but is also a testament to our hard work, dedication, and passion.
Our winning hotels in 2021 are:

Hotel name	City	Score /10
City Lodge Hotel Bloemfontein	Bloemfontein	8.4
City Lodge Hotel Pinelands	Cape Town	9.8
City Lodge Hotel V&A Waterfront	Cape Town	9.0
City Lodge Hotel GrandWest	Cape Town	9.0
City Lodge Hotel Durban	Durban	9.2
Town Lodge Umhlanga	Durban	8.8
City Lodge Hotel Umhlanga Ridge	Durban	8.6
City Lodge Hotel Sandton, Katherine Street	Johannesburg	9.6
City Lodge Hotel Johannesburg Airport, Barbara Road	Johannesburg	9.3
Courtyard Hotel Rosebank	Johannesburg	8.8
Courtyard Hotel Sandton	Johannesburg	8.8
City Lodge Hotel at OR Tambo International Airport	Johannesburg	8.7
City Lodge Hotel Fourways	Johannesburg	8.7
City Lodge Hotel Waterfall City	Johannesburg	8.7
City Lodge Hotel Bryanston	Johannesburg	8.6
Town Lodge Johannesburg Airport	Johannesburg	8.5
City Lodge Hotel Port Elizabeth	Gqeberha	9.2
Courtyard Hotel Port Elizabeth	Gqeberha	8.6
City Lodge Hotel Lynnwood	Pretoria	8.9

CLHG marketing awards – 2020/2021

D&AD Awards 2021

Marital Bliss – WKND Special

CLHG won a Wooden Pencil at the recent D&AD Awards for an online radio advert, titled Marital Bliss, promoting our WKND Special. The advert was created by our advertising agency TBWA Hunt Lascaris.

Listen to the advert here: Marital Bliss

Sunday Times GenNext Awards 2020

CLHG was nominated for the Coolest Hotel Group award and placed fourth in the category.

Sustainability review continued

NATURAL CAPITAL
ENVIRONMENTAL SUSTAINABILITY

Being environmentally responsible is entrenched in the CLHG ethos. We continuously analyse, manage and monitor environmental impact across our brands. At every opportunity, we encourage our stakeholders to join us on our sustainability journey.

Despite the many challenges that CLHG faced over the last 18 months, reducing the group's negative impact on the environment remains a key focus. The solar installations at 25 of our hotels throughout the group reduced our dependency on the national energy grid. We provide guests with magnesium-enriched filtered water from hydration stations in all CLHG hotels to reduce the volume of bottled water used and the resulting single-use plastic waste. Our single-use-plastic-free range of bathroom amenities is popular with guests.

We are particularly pleased with the Green Star rating achieved by the new Courtyard Hotel Waterfall City. This is in recognition of its efficient water and electrical designs; energy efficient lights and appliances; intelligent lighting management systems; and building monitoring systems. It includes an automated mechanism for monitoring water consumption data and detecting leaks. The hotel also has a state-of-the-art on-premises laundry that takes care of all of the hotel's linen and terry products using energy, water and laundry efficient chemicals and equipment.

The group did not conduct a formal carbon footprint measurement this year. However, we are confident that with significant reductions in absolute electricity and water use, less waste generated and sent to landfills and less business travel, our total carbon dioxide equivalent (CO_2e) would have shown a favourable decline year on year.

SPECIFIC SUSTAINABILITY FOCUS AREAS

Energy consumption

Our hotels and supporting infrastructure use electricity primarily generated by the national energy providers in the countries we operate in. As power outages are relatively common across Africa, all our hotels have backup diesel generators installed.

The bulk of the group's energy consumption results from water heating, air conditioning, lighting, and laundry operations. As these functions generate 80% to 90% of our carbon footprint, mitigating their effects remains key. Our total energy consumption for the period was 17.7 million kWh (2020: 23.7 million kWh).

Sustainable energy management programmes at each hotel focus on operational and technical efficiencies. Our absolute energy consumption across all our hotels decreased by 25% (2020: 17%). As a result of the Covid-19 pandemic and the varying levels of lockdown, hotels were only reopened when demand for accommodation increased to adequate levels. However, even when closed for guests or operating at far lower occupancies, hotels consume electricity as part of their minimum baseload. This adversely affects the energy consumption per occupied room, which increased by 38%.

Electricity consumption (per occupied room and available room) and the resultant per room costs were:

	kWh per occupied room		Cost per occupied room (R)		kWh per available room		Cost per available room (R)	
Brand	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Courtyard	↑ **79.0**	35.1	↑ **152.91**	70.58	↓ **9.6**	10.5	↓ **17.33**	21.04
City Lodge	↑ **31.5**	22.6	↑ **58.63**	36.71	↓ **6.8**	8.7	↓ **12.59**	15.35
Town Lodge	↑ **36.4**	22.9	↑ **82.45**	43.65	↓ **5.3**	7.5	↓ **12.03**	14.66
Road Lodge	↑ **20.2**	15.0	↑ **45.03**	32.40	↓ **5.2**	6.8	↓ **11.46**	14.71

Once again, the group turned off non-essential lights during Earth Hour on Saturday, 27 March 2021, saving 293 kWh or 15% of the energy usually consumed during this time on a regular Saturday evening.

Renewable energy

7 AFFORDABLE AND CLEAN ENERGY

The installation of solar power generation at 25 hotels was completed in 2019.

Our solar installations have produced 1.8 million kWh during the financial year. This helped us reduce the total amount of energy purchased from national energy providers by 8.2%, when compared with the same period last year. We also generated 389 463 kWh excess solar energy that could in future be sold into national grids.

Water consumption

Reducing water consumption remains a joint effort between employees and guests. We encourage guests to help reduce water consumption without minimising the guest experience. Our newer and refurbished hotels reduced the number of rooms with baths to approximately 60% of the total complement. We also installed low-flow showerheads and taps and are evaluating other ways to reduce overall water consumption.

CLHG relies on municipal supplies for water, although some of our South African hotels use borehole water for property maintenance. We are very mindful of the severe water shortages currently being experienced in the Nelson Mandela Bay region. We drilled a borehole and are currently investigating options to supplement the municipal feed with filtered and treated water into some of our beachfront hotels.

The total water consumption for the period was 312 112 kℓ (2020: 436 013 kℓ), a 123 901 kℓ, 28% decrease year on year.

As with electricity consumption, water consumption was significantly reduced by the Covid-19 lockdowns and hotel closures.

	kℓ per occupied room		Cost per occupied room (R)		kℓ per available room		Cost per available room (R)	
Brand	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Courtyard	↑ **1.79**	1.14	↑ **59.61**	37.10	↓ **0.22**	0.34	↓ **6.76**	11.06
City Lodge	↑ **0.49**	0.35	↑ **18.98**	13.30	↓ **0.10**	0.13	↓ **4.07**	5.56
Town Lodge	↑ **0.50**	0.37	↑ **21.37**	12.79	↓ **0.07**	0.12	↓ **3.12**	4.30
Road Lodge	↑ **0.41**	0.32	↑ **12.08**	8.66	↓ **0.10**	0.14	↓ **3.07**	3.93

We are also responsible for managing water quality at our properties, achieved by using biodegradable chemicals and products, installing grease traps, and implementing saltwater chlorinators for swimming pools.

Waste and recycling

The volume of solid waste generated by our hotels is low compared with full-service hotels. Nevertheless, we recycle paper, glass, plastics, aluminium and steel cans where possible. Due to the challenges brought on by the pandemic, the percentage of group waste recycled declined, but we continue exploring cost-effective solutions to further reduce our waste-to-landfill.

Water filling stations for guests

CLHG guests have the option to replace single-use plastic bottled water with magnesium-enriched, filtered water from dispensers conveniently located in the hotel. The water filling stations reduce the carbon footprint of the supply chain by reducing the volumes of bottled water trucked to the hotels. As at 30 June 2021, 43 of the group's 56 hotels in South Africa offer hydration stations.

We encourage guests to either use their own reusable bottles or cups or to purchase reusable glass or aluminium water bottles from reception. Reusable glass water bottles or jugs are provided for delegates using CLHG conference and meeting rooms and boardrooms.

Plastic free, eco-friendly amenities

CLHG, together with our South African supplier, The Bespoke Amenities Company (TBAC), remains committed to the new range of bathroom amenities that reduce the amount of single-use plastic used in our hotel rooms. These are available across all our hotel brands. We were the first South African hotel group and among the first in the world to implement such an innovation.

Our environmentally friendly amenities include 'Zero' shampoo bars and shower caps made from corn starch. Each of the new amenities is packaged in Forest Stewardship Council certified recyclable cardboard packaging.

Following these changes, we estimate that we substantially reduced the volume of single-use plastics going to landfills:

Items	Waste-to-landfill reduced by
Polyethylene Terephthalate (PET) bottles	688 201 units
Flow wraps	1 364 954 units
Plastic tubes	67 829 units
Boxed accessories (non-FSC board)	53 142 units
TOTAL	**2 141 434 units**

ANTI-ANIMAL CRUELTY

The public is increasingly concerned about the industrial model of producing food from animals, which may deliver cheaper food products in a manner that is cruel and harms environmental and public health. Consumers increasingly demand food that is safe, healthy and grown sustainably.

In January 2020, the group publicly committed to only serving 100% cage-free eggs throughout its operations by 2025. CLHG partnered with Humane Society International-Africa (HSI-Africa) on its journey towards offering eggs and egg products sourced in this way. City Lodge currently serves approximately 1.4 million eggs annually.

We acknowledge public concern and the wishes of our guests and are determined to ensure that our product supply chain is ethical and transparent.

COMPLIANCE

The group complies with the following South African legislation relevant to environmental sustainability:

- Atmospheric Pollution Prevention Act, 45 of 1965
- Environment Conservation Act, 73 of 1989
- National Environmental Management Act, 107 of 1998
- National Water Act, 36 of 1998
- Occupational Health and Safety Act, 85 of 1993
- Water Services Act, 108 of 1997.

No environmental accidents occurred during the year, nor were any environmental-related fines imposed on the group.

OUR GOALS FOR THE YEAR AHEAD

In the year ahead, we aim to further reduce energy consumption where possible, on a per-room-sold basis. We are committed to finding more ways to reduce overall consumption in our hotels during periods of low occupancy, especially until the Covid-19 pandemic subsides.

We are continuing our efforts to reduce per-room-sold water consumption and are finding additional sources of water for hotels in water-scarce regions. Solutions may include greywater reuse and water conservation in general.

Corporate governance report

GOVERNANCE FRAMEWORK AND STATEMENT OF COMPLIANCE

Governance influences how the group's objectives are set and achieved, how risk is monitored and assessed and performance is optimised and in so doing plays a critical role in delivering sustainable value for shareholders.

Efforts to ensure that the group is managed in an efficient, responsible and ethical manner, in the interests of its stakeholders, are ongoing.

Being the focal point for and custodian of the group's corporate governance system, the board is ultimately accountable and responsible for the performance and affairs of the company. Recognising that the achievement of a long-term sustainable business depends on stable, well-functioning and well-governed social, economic and governance practices, it strives to continually enhance the group's governance system.

The group's governance framework has been designed to promote a positive ethical culture and ensure compliance with applicable laws, regulations, non-binding rules, standards and frameworks and codes of best practice, including:

- King IV™
- JSE Listings Requirements
- Companies Act
- International Integrated Reporting Framework

taking the size, nature and complexity of its operations into account.

By executing its responsibilities within a framework of policies, procedures, controls and powers of execution, the board ensures that governance objectives are properly implemented, managed, reviewed and adjusted, where appropriate, and enables it to identify areas that need to be addressed, further entrenched or improved upon, where necessary.

The board, committees and management are responsible for embedding practices into the group's businesses, consistent with these principles.

Initiatives undertaken to enhance the governance framework during the reporting period, and which will remain areas of focus for the foreseeable future, included:

- review of the group governance framework
- revision of the board and committee's charters to ensure they remain aligned with the principles and recommendations contained in King IV™
- enhancing disclosures in the IR, particularly in relation to remuneration
- revision of the remuneration philosophy and policy to ensure that it remains relevant and aligned with best practice
- ongoing efforts with regards to implementation of appropriate governance practices as provided for in King IV™
- continuing advancement of the group's ethics management, particularly in terms of ethics awareness
- the ongoing journey to ensure compliance with Protection of Personal Information Act (POPIA) and General Data Protection Regulation (GDPR), given its potential significant impact. Refer page 80 for more detail.

The principles and recommended practices contained in King IV™ are reviewed annually and recorded in a register, which is available on the group's website at **www.clhg.com** (stakeholder relations/King IV™ governance register), demonstrating the group's implementation of the appropriate governance practices.

The board is satisfied that the company has satisfactorily applied the principles and recommended practices of King IV™ as are appropriate to its business.

ETHICAL LEADERSHIP

City Lodge is committed to conducting its business:

- within the framework of applicable laws, regulations, non-binding rules and recognised codes of good practice
- ethically, which it has achieved through the adoption of certain values and principles, including personal integrity and fair play, while building a sustainable company that recognises the short and long-term impact of its activities on the economy, society and environment within which it operates.

The board provides effective leadership based on a principled foundation and is ultimately accountable for the group's ethics. Management is, in turn, responsible for formulating and implementing a well-designed ethics management process.

The code of ethics and business conduct (the code), which is applicable to all directors and employees and provided to them during induction, is available on the group's website, **www.clhg.com**, and raises awareness around ethics by providing clear guidelines on what are considered acceptable values and behaviour to guide day-to-day decision-making. Although the explicit values describe the core of ethical behaviour, they are not exhaustive of all the ethical norms that guide the behaviour.

The group has a zero-tolerance approach to violations of the code and responds to contraventions through various measures which can include disciplinary, civil and/or criminal action, as well as effecting improvements to the control environment.

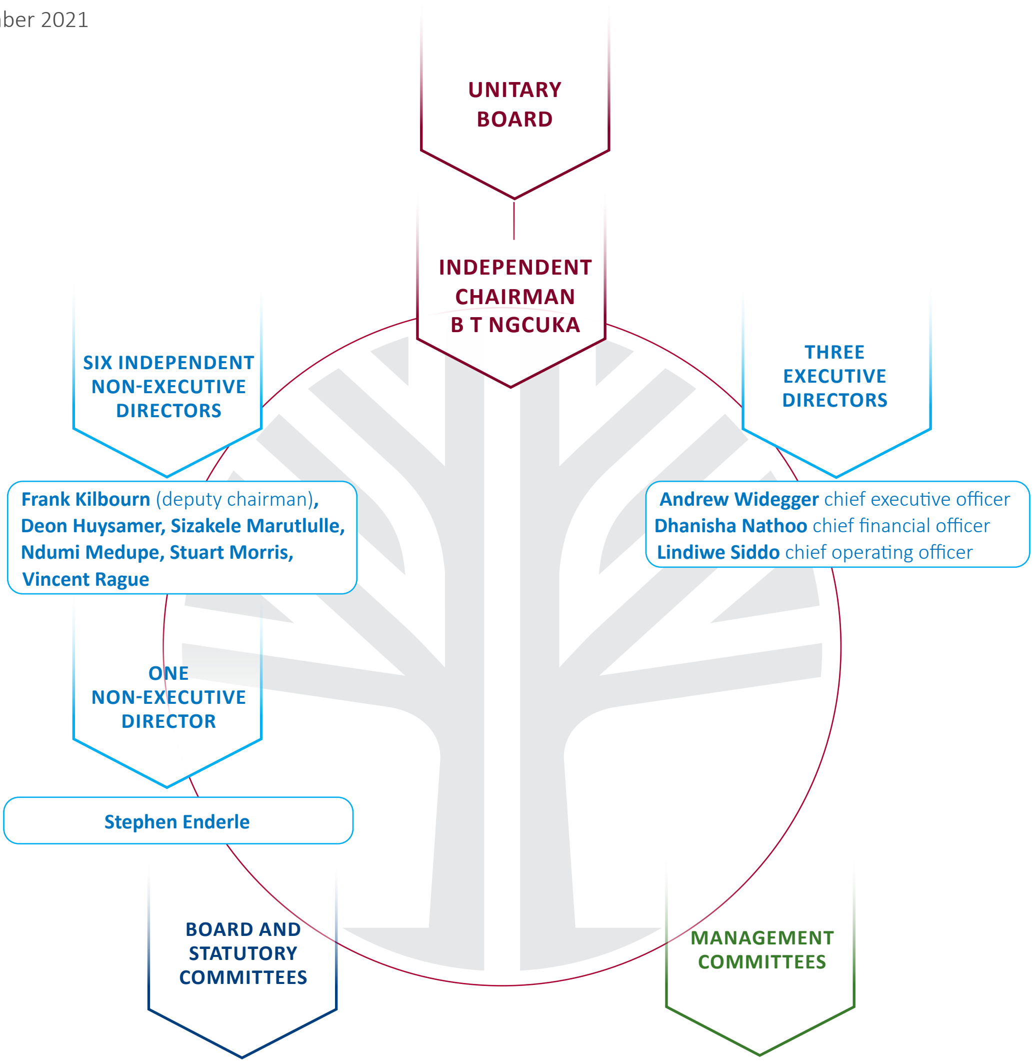
Over and above the internal reporting mechanisms in place, there is an independently operated whistleblower alert line, managed by Whistle Blower Proprietary Limited, through which stakeholders can anonymously and confidentially report purported unethical or corrupt behaviour. The service, details of which can be found on the group's website, **www.clhg.com**, is available seven days a week, 24 hours a day. All reported incidents are investigated and, where appropriate, action is taken.

In total, 14 calls were logged during the year under review, three of which were duplicates in that they related to the same issue at a specific hotel.

All calls were investigated, and the majority were found to be internal grievances which were dealt with in accordance with the group's internal grievance procedure. Of the remaining calls, none indicated a material breach in the required standard of ethical behaviour. However, where the investigations highlighted the need to review and/or revise certain policies and/or procedures this was done and, where appropriate, revisions were implemented.

GOVERNANCE STRUCTURE

as of 9 September 2021



Audit committee (statutory and board) Stuart Morris (chairman), Frank Kilbourn, Deon Huysamer, Ndumi Medupe	**Executive committee (Exco)** Chaired by chief executive officer
Risk committee (board) Ndumi Medupe (chairman), Stephen Enderle, Deon Huysamer, Stuart Morris, Dhanisha Nathoo, Vincent Rague, Andrew Widegger, Marcel Kobilski (divisional director)	**Management development and succession committee (Mandasco)** Chaired by chief executive officer
Remuneration and nominations committee (board) Frank Kilbourn (chairman), Stuart Morris, Bulelani Ngcuka	**Transformation committee** Chaired by chief operating officer
Social and ethics committee (statutory and board) Sizakele Marutlulle (chairman), Lindiwe Siddo, Andrew Widegger	**Environmental sustainability steering committee** No chair

Corporate governance report continued

The board retains full and effective control of the group and is ultimately accountable and responsible for its performance and maximising shareholder value. This includes responsibility for reviewing and guiding corporate strategy through the establishment of key policies and objectives, understanding the key risks faced by the group, determining the risk appetite, tolerance and preferences of the group and the processes in operation to mitigate these.

Assisting the board in carrying out its duties, promoting continued good governance and providing in-depth focus in specific areas, are the various board, statutory, executive and management committees depicted in the governance structure on the preceding page. Each committee operates in accordance with approved terms of reference, which define their roles and responsibilities, comprises appropriately skilled members, allows for senior management participation and has access to specialist advice when considered necessary. Terms of reference are reviewed periodically and updated where necessary to ensure they are aligned with current best practice, as well as internal, market, legislative and regulatory requirements. With the exception of the management committees, all committees are chaired by an independent non-executive director.

Various informal committees may be established for the purpose of gathering information, agreeing on and tracking actions, and where necessary, escalating findings or making recommendations to decision-making forums.

THE BOARD

The board operates in accordance with a formally approved charter that, in addition to setting out the processes and practices that have been adopted to assist it in the effective discharge of its responsibilities, sets out its composition, defines the roles and responsibilities of the board and its directors, and ensures that board activities conform to sound corporate governance principles and comply with applicable legislation. It also sets out the division of responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision-making. No changes were effected to the charter during the year under review.

All board members are aware of their collective, as well as individual, responsibilities.

In carrying out their duties, directors are required to:

- act in good faith and for a proper purpose, exercise due care and skill in the best interests of the company and its stakeholders
- avoid conflicts of interest
- conduct themselves according to the highest standard of personal and professional integrity and set the standard for ethical conduct and promote ethical behaviour and compliance with all applicable laws and adopted non-binding rules, codes and standards
- act within any limitations imposed by the board on its activities
- exhibit characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

The board conducts its chartered responsibilities through workplans set to timelines.

Primary areas of focus include monitoring, reviewing and implementing matters of a strategic, financial, non-financial (including governance, compliance, ethics, sustainability and social responsibility) and operational nature.

Each group operating subsidiary company is governed by a board of directors established in accordance with the laws of the country in which it operates, which meet as required. Certain members of Exco serve as directors on these boards and report through to the board on their activities.

Composition

The board may, in accordance with the company's memorandum of incorporation (MoI), comprise a minimum of four directors and a maximum of 12 directors, the majority of whom must be non-executive directors (NEDs). In turn, the majority of the NEDs should be independent, as defined in King IV™.

The board currently comprises 11 members, who are classified as depicted in the governance structure on the preceding page.

Each of the NEDs are individuals of high calibre, with sound credibility, who possess the requisite knowledge, skills and experience to make a meaningful contribution to and ensure the effective leadership of the company. All directors participate actively in board deliberations and decision-making processes.

Stephen Enderle was appointed as a non-executive director to the board and member of the risk committee with effect from 1 April 2021.

Post-year-end Mr Rague, who in terms of the company's MOI retires by rotation at the annual general meeting (AGM), elected to not make himself available for re-election and will accordingly retire from the board and risk committee with effect from the close of the AGM. In preparation for the vacancy that would arise the Remcom embarked on a process of identifying a suitable candidate to fill the vacancy. Candidates were interviewed paying particular attention to knowledge of the industry, experience and skill set, with reference to additional factors such as:

- current board composition in terms balance between independent, non-executive and executive, gender, race, skill experience, perceived fit and tenure
- composition of the various board and statutory committees
- the needs of the business.

Based on their suitability the board, on the recommendation of the Remcom, resolved to recommend the election and appointment at the AGM of:

- Mr Moses Kgosana, to fill the vacancy arising following Mr Rague's retirement
- Mr Andrew Lapping, as an additional appointment

both as independent non-executive directors.

Independence

Independence, including that of long-serving NEDs, is reviewed annually to ensure correct classification.

The process of gauging independence includes, in addition to participation at meetings, an assessment of a director's independence of behaviour and ability to exercise objective, unfettered judgement and whether there is an interest, involvement, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making and the ability to act independently.

At its most recent assessment, a sub-committee of the board comprising unaffected independent NEDs concluded:

- that following the unwind of the B-BBEE transaction the chairman, Bulelani Ngcuka's holding and membership of the executive team, in Vuwa Investments Proprietary Limited, a related party through the B-BBEE transaction, was no longer considered relevant with reference to determining his independence. However, his independence with reference to tenure merited consideration.
- with reference to long-serving directors Frank Kilbourn, Stuart Morris, Ndumi Medupe and Bulelani Ngcuka that:
  - they each continue to demonstrate the requisite knowledge, skills, experience and the ability to contribute to board deliberations in a manner that is objective, meaningful and unbiased and that their independence in character and judgement is in no way affected or impaired by their tenure on the board. Furthermore there is no interest, involvement, position, association, relationship or circumstance that is likely to, or could appear to, affect their independence.
  - generally, having regard to the impact of the Covid-19 pandemic on the group and the commitment, insight and contributions made by these individuals to the decisions taken to ensure the sustainability of the group, there is no doubt as to the value added by them, not only as a result of their individual knowledge and expertise, but also due to their intimate knowledge of the business of the company and the industry, which it forms part of. Furthermore, requiring directors of this calibre to resign due to tenure is not only impractical, but not in shareholders' best interests, particularly during this period of recovery for the company.
- that despite having reached retirement age, Mr Morris' skills, experience and willingness to express his opinions are considered invaluable, and which the board wishes to continue to avail itself of until such time as Mr Morris indicates that he is ready to step down. To ready itself to this eventuality, the remuneration and nominations committee (Remcom) is refining an appropriate succession plan for this purpose.
- with reference to the holdings of Stephen Enderle and his family of approximately 9% of the company's issued share capital at the time, considered whether this holding is material to his personal wealth and significant enough to impact his ability to act independently, and concluded that Mr Enderle was for purposes of the year under review not considered to be independent.

Appointment, rotation and retirement

The policy on selection and appointment of directors to the board and gender diversity sets out the process around the selection and recommendation of candidates for appointment to the board, which is formal and transparent and a matter for the board as a whole, assisted where appropriate by the Remcom. Appointments are made on merit against objective criteria, taking suitability for the role, board balance and composition, required mix of skills, background, knowledge, experience and expertise required, independence, diversity and gender into account, with reference, where required, to the board succession plan. All potential board appointees are subject to a fit and proper test, in accordance with the JSE Listings Requirements, and all appointments are subject to shareholder approval.

NEDs have no fixed term of appointment or service contract. In accordance with the group's MoI, at least one third of the NEDs retire by rotation at the group's AGM. The directors so retiring may, if eligible, offer themselves for re-election.

EDs are full-time salaried employees engaged on the group's standard terms and conditions of employment, which may be terminated on three months' notice. Termination of an ED's employment contract will result in resignation from the board and its committees.

EDs do not receive fees for their services as a director on the board or member of the board and statutory committees and do not retire by rotation at the AGM.

Newly appointed directors retire at the first AGM following their appointment and make themselves available for election and appointment by shareholders.

The retirement age for a NED is 70 years, subject to review at the discretion of the board, and 65 years for an ED.

Despite having reached retirement age, the board wishes to continue to avail itself of the services of Mr Morris, as he continues to be a valuable member who contributes meaningfully to board and committee deliberations and on the basis that his independence, which is reviewed annually, continues.

The group acknowledges the importance of diversity as a contributor to board effectiveness and supports the principles and objectives of diversity at board level. While no voluntary targets have been set, Remcom considers race and diversity and the promotion thereof on an annual basis. Currently the board comprises 11 members, five (45.45%) persons of colour, four (36.4%) of whom are female.

The strong representation of tourism industry expertise and experience blends well with the diversity of experience in other areas and serves to strengthen the board's collective business acumen.

Corporate governance report continued

As such, the board is satisfied that it possesses the appropriate mix of knowledge, skills, experience, diversity and independence to discharge its responsibilities.

Where a vacancy arises, or there is a requirement for an additional board appointment, consideration will be given to recommending for appointment a person of colour and/or female, on the basis that suitable candidates are available and with due regard to the mix of skills and experience currently represented and required.

Having considered the suitability of the directors retiring by rotation and being available for re-election, the board has resolved to put the directors, whose brief curricula vitae are set out on pages 16 and 17, forward to shareholders for re-election.

Board leadership

Responsibility for running the board and for running the group's business are two critical functions. The roles of the chairman and CEO are therefore distinct from one another, ensuring a clear division of responsibilities, which is necessary to ensure a balance of power and authority, so that no one individual has unfettered powers of decision-making.

Chairman of the board and deputy chairman

The chairman is responsible for setting the ethical tone for the company, ensuring the integrity and effectiveness of the board's governance processes, acting as the link between the board and management, and providing leadership and vision in a manner that serves to enhance shareholder value and ensure the long-term sustainability of the company. The chairman's responsibilities are as detailed in the board charter.

Where the elected chairman is not considered to be independent, the board, in line with the recommendations of King IV™ and the JSE Listings Requirements, will appoint a lead independent director (LID) to strengthen independence on the board and provide leadership and advice in matters where there may be an actual or perceived conflict of interest.

The chairman and, where applicable LID are elected annually.

Post-year-end and at the time of the review of the independence of the directors it was concluded that on the basis that the chairman is deemed to be independent there is no longer a requirement for the role of a LID. The board, however, considered it important from a succession and continuity point of view for there to be a director in a senior role to assume the chair should it be required and appointed Mr Kilbourn to the role of deputy chairman.

CEO

The CEO is appointed by the board and serves as the link between management and the board, ensuring the group's day-to-day business affairs are effectively managed.

The CEO's responsibilities are as detailed in the board charter and his job description and includes, inter alia:

- implementation of the board-approved strategies, objectives and decisions within the framework of the delegated authorities, values, operational planning and policies of the company
- developing and recommending the annual business plan and budget
- monitoring and reporting on company performance
- ensuring key management roles are occupied by individuals with the necessary competence and authority and that the functions are appropriately resourced.

Board meetings and procedures

The board meets at least quarterly and meeting dates are established in advance of each calendar year. Additional meetings may be convened when necessary to address matters of an urgent nature. The board works to a formal agenda prepared by the company secretary, in consultation with the chairman. Board packs containing the meeting agenda and relevant supporting documentation are circulated in advance of each meeting to allow sufficient time for preparation.

Meetings take place in person and/or virtually.

Where a director is not able to attend a meeting, they inform the chairman of the board or relevant committee, as well as the company secretary of this, together with the reason for their absence. They may make submissions on matters to be tabled for discussion, which submissions are recorded at the meeting.

Decisions taken between scheduled board meetings, as provided for in the group's MoI, are tabled for noting at the subsequent board meeting.

Details of the type and number of meetings held during the year under review, as well as individual director attendance, are set out in the table below.

BOARD AND COMMITTEE MEETING SCHEDULE AND ATTENDANCE

	Board	AGM	AC	Remcom	RC	SEC	Ad hoc – Rights offer and B-BBEE sub-committee	EGM	Strategy
Number of meetings	**5**	**1**	**5**	**8**	**2**	**2**	**4**	**1**	**1**
S J Enderle	1[#]	0[#]	–	–	1[#]	–	–	0[#]	1
G G Huysamer	5	1	5	–	2	–	4	1	1
F W J Kilbourn	5	1	5	8	–	–	4	1	1
N Medupe	5	1	3[Δ]	–	2	–	–	1	1
B T Ngcuka	5	1	–	8	–	–	–	1	1
M S P Marutlulle	4[Δ]	1	–	–	–	2	–	0[Δ]	1
S G Morris	5	1	5	8	2	–	4	1	1
V M Rague	5	1	–	–	2	–	–	1	1
L G Siddo	4[Δ]	1	–	–	–	1[Δ]	–	1	1
A C Widegger	5	1	5[*]	8[*]	2	2	4[*]	1	1
D Nathoo	5	1	5[*]	–	2	–	4[*]	1	1

* *By invitation*
– *Not a member*
Δ *Apologies*
\# *Appointed 1 April*

Board meeting dates
2 September 2020
9 October 2020 – special
17 November 2020
25 February 2021
19 May 2021

Extraordinary general meeting date
22 July 2020

Annual general meeting date
11 December 2020

INDUCTION AND ONGOING TRAINING AND DEVELOPMENT

To assist them in the effective discharge of their responsibilities, directors are afforded the benefit of an induction programme tailored to their individual needs and aimed at broadening their understanding of the company and the business environment within which it operates.

The company shares the responsibility of ensuring directors are equipped with the necessary skills to effectively carry out their duties and, when it is deemed appropriate, directors can avail themselves of continuing professional development programmes.

SUCCESSION PLAN

The board:
- is responsible for its own succession planning and aims to balance the fresh perspectives from new members with the experience and knowledge of those with longer tenure
- annually reviews the succession plans in place for the EDs and other senior executives.

INFORMATION AND COMMUNICATION

Directors have:
- access to the advice and services of the company secretary and may, where necessary, and in accordance with the board-approved policy, seek independent professional advice at the group's expense
- unrestricted access to all company information and senior management to assist them in the discharge of their duties and responsibilities.

GROUP STRATEGY

Strategy, risk, performance and sustainability are inseparable. The board assumes responsibility for:
- formulating, developing and adopting the group's strategic plans and providing effective leadership and oversight of performance against targets and objectives
- satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management
- ensuring that the strategy will result in sustainable outcomes
- considering sustainability as a business opportunity that guides strategic formulation
- monitoring management in implementing board plans and strategies.

Progress on the implementation and achievement of the group's strategic objectives is monitored on an ongoing basis and is reported on regularly. Covid-19 and the resultant lockdown interrupted the implementation of certain strategic objectives and resulted in an ongoing review and adjustment, where appropriate, of the current objectives, including the introduction of a turnaround strategy to steer the company through the current challenges presented as a result of the Covid-19 pandemic in the medium to long term.

Corporate governance report continued

EVALUATION OF THE BOARD, CHAIRMAN, CEO AND COMPANY SECRETARY

Board effectiveness is regularly assessed by way of a self-assessment. Where a director's performance is not considered satisfactory, remedial steps will be taken and in the appropriate circumstances that director will not be recommended for re-election.

The board is satisfied that it operates effectively, is suitably constituted, possesses the appropriate skills, experience and expertise, and that it has discharged its responsibilities as detailed in the board charter and annual work plan.

The chairman

The deputy chairman assesses the performance and leadership of the chairman in an informal manner.

The CEO

The chairman of the board, in consultation with the NEDs, assesses the performance of the CEO.

The company secretary

The appointment and removal of the company secretary is a matter for the board as a whole.

The group company secretary ensures statutory and legal compliance, as well as adherence to the JSE Listings Requirements and relevant governance principles. She is responsible for guiding the board in discharging its responsibilities, assumes responsibility for administering the proceedings and affairs of the board, monitors directors' dealings in securities, ensures adherence to closed periods, and liaises with various stakeholders including the group's transfer secretary, sponsor and relevant regulators.

Melanie van Heerden is an admitted attorney, notary and conveyancer, holding BCom and LLB degrees, with 19 years' post-qualification experience. Her academic and professional qualifications were externally verified prior to appointment.

In accordance with both the JSE Listings Requirements and King IV™, the performance and independence of the company secretary is evaluated annually.

The board, while evaluating her performance and interactions with the directors individually and the board as a whole, concluded that Mrs van Heerden is suitably qualified and experienced and is satisfied that she demonstrates the requisite competence, experience, and objectivity to provide independent guidance and support to continue to hold the office of group company secretary. The board is furthermore satisfied that the arrangements in place for providing corporate governance services are effective.

BOARD, STATUTORY AND MANAGEMENT COMMITTEES

A number of board, statutory and management committees have been established to assist with the balance of power and the execution of the board's responsibilities, as well as facilitate efficient decision-making and promote independent judgement. The board has four standing committees – audit, Remcom, risk and social and ethics (SEC).

Delegation in no way relieves the board from discharging its duties and it remains ultimately accountable for the performance and affairs of the company. The delegated responsibility and the powers, limits and authorities attached to board committees are determined and approved by the board, from time to time.

Each committee, with the exception of the management committees, is chaired by an independent NED who reports on committee activities at the board meeting immediately following the committee meeting. Minutes of all board and statutory committee meetings, save for Remcom, are tabled for noting by the board. The CEO chairs the Exco and Mandasco, which have been established to assist him in the discharge of the responsibilities delegated to him by the board. The group company secretary serves as secretary for all the committees.

Meetings in addition to scheduled meetings may be convened when necessary to address urgent matters falling within the committee's scope of responsibility.

The board regularly assesses the composition of the committees to ensure that each possesses the appropriate balance of skills, knowledge and experience, as well as the need for additional committees, to assist it in carrying out its duties and meeting its statutory and other legal requirements. The following changes in committee composition took place during the year under review:

- Stephen Enderle was appointed as a member of the risk committee.

As with the board, the effectiveness of each committee is considered at regular intervals and entails a self-assessment. Any areas identified as requiring improvement are considered and the appropriate measures put in place.

The board is satisfied that each committee operates effectively and has discharged the responsibilities detailed in their respective terms of reference, at the intervals indicated in their annual work plans.

The chairs of the respective committees attend the annual general meeting to respond to any questions shareholders may raise with regard to matters falling within their respective committee mandates.

AUDIT COMMITTEE

The audit committee is a statutory committee whose members are appointed annually by the shareholders. It also assists the board in the discharge of other duties assigned to it by the board, and serves as the audit committee for the group subsidiary companies.

The committee meets at least three times a year and comprises four members, all of whom are independent NEDs who are financially literate and have the necessary business and financial acumen to carry out the committee's responsibilities. The CEO, CFO, lead external audit partner and internal audit partner attend committee meetings by invitation, but do not vote on any matters tabled for discussion.

The committee's responsibilities include:

- safeguarding the group's assets, the operation of systems, control processes and the preparation of accurate financial reports and statements in compliance with relevant legal requirements and accounting standards
- evaluating the adequacy and efficiency of internal control systems, accounting practices and information, as well as the auditing thereof
- considering the internal and external audit process and accounting principles and policies
- ensuring the independence of the external and internal audit functions
- preparing materially accurate financial reporting information and statements in compliance with applicable legal and regulatory requirements and accounting standards
- ensuring legislative and regulatory compliance, as well as compliance with applicable codes.

The internal and external auditors have unrestricted access to the committee through the chairman.

Meetings and activities

Five meetings were held during the year and focused on:

- solvency, liquidity and funding
- examining and reviewing reports to shareholders, including financial and sustainability reports
- reviewing the annual financial statements, interim reports, accompanying reports to shareholders, preliminary results announcement and any other announcement regarding the group's results or other financial information to be made public, prior to submission to and approval by the board
- reviewing of the financial information to be included in the rights offer circular prior to submission to and approval by the board
- reviewing the internal control structures, including financial control, accounting systems and reporting
- considering and satisfying itself that the company has established appropriate financial reporting procedures and that these procedures are operating effectively, as required by paragraph 3.84(g)(ii) of the JSE Listings Requirements
- nominating the registered auditor, including the lead audit partner, having obtained and satisfied itself with the information required to be provided by the auditors as set out in paragraph 3.84(g) read with paragraph 22.15(h) of the JSE Listings Requirements
- reviewing and approving the scope of work, the external audit budget and nature and extent of non-audit services, the latter of which represented 22% (2020: 22%) of the total audit fee paid
- monitoring and supervising the effectiveness of the internal audit function, including the performance of the internal audit partner
- ensuring that the roles and functions of external and internal audit are sufficiently clarified and coordinated
- reviewing and approving the annual internal audit plan and fee, and receiving internal audit's written assessment of operational controls
- receiving reports and noting the minutes from the risk committee with regard to the policy and plan for risk management and its implementation
- IT's alignment with the company's performance and sustainability objectives, the implementation of the IT governance framework, and IT as an integral part of the risk management process
- restructuring of intergroup loans
- overseeing financial reporting risks, internal financial controls, fraud and IT risks as they relate to financial reporting
- considering and confirming
  - that the finance function is adequately resourced with suitably skilled and technically competent people
  - that the company's CFO, Mrs Dhanisha Nathoo, is equipped with the necessary expertise and experience to fulfil the requirements and responsibilities associated with the position
- monitoring revenue recognition and valuation of property, plant and equipment and right-of-use assets, specifically impairment losses, expected credit losses and recoverability of deferred tax assets, and the resultant impact on the going concern assertion, which have been highlighted as key audit matters
- monitoring legislative and regulatory compliance, and compliance with governance codes and accounting standards (local and international)
- considering and approving the material issues facing the company, against which reporting will take place
- approving the annual work plan against which the agenda for committee meetings will be prepared and monitoring progress against it
- considering and satisfying itself as to the independence of the external auditors and determining that the reporting accountant is accredited in accordance with the provisions of the JSE Listings Requirements.

The external and internal auditors and representatives from senior management meet at least annually with the committee independently of one another to report back and discuss any issues relevant to the audit process. During its meeting with management, the committee, in addition to discussing issues relevant to the audit, considered the quality and effectiveness of the external audit function and concluded that it was satisfied with the performance and level of services rendered by the external auditor.

On the basis that the auditor does not function in the role of management, does not audit its own work or serve in an advocacy role for the company, the committee concluded that the non-audit work performed did not impair the independence of the auditors.

During the year the decision was taken to early adopt the mandatory audit firm rotation rule. Following the conclusion of a comprehensive tender process, the board has endorsed the audit committee's proposal to appoint PricewaterhouseCoopers Inc. (PwC) as the company's external auditors and accordingly nominates PwC for appointment as the group's registered auditor for the ensuing year, with Ms Alinah Motaung as the designated audit partner. The appointment of PWC has been tabled for shareholder approval, as set out in the notice of AGM.

Corporate governance report continued

City Lodge extends its gratitude to KPMG for the long-standing positive relationship and quality of service received since it was appointed as the company's external auditors in 1986.

Both the external and internal audit partners attend the AGM to respond to any questions shareholders may raise.

REMCOM

Remcom comprises three NEDs. The deputy chairman serves as chairman of the committee. The CEO attends meetings by invitation, but does not have a vote on matters to be decided upon nor does he participate in the decision-making process relevant to his remuneration.

The chairman of the board drives the nomination process and leads the nomination portion of meetings.

The committee assists the board in discharging its responsibilities for:
- ensuring the board and its committees are appropriately constituted by:
  - identifying and evaluating whether individuals are suitable for board and committee membership
  - ensuring appointments are made through a formal and transparent process
  - ensuring that appropriate succession plans are in place
- developing the group's remuneration policy and setting the direction for how remuneration should be approached and addressed on an organisation-wide basis and specifically at an executive and senior management level to ensure that they are fairly and responsibly remunerated.
- ensuring that the directors and executives are fairly and responsibly remunerated and that the disclosure in respect thereof is accurate and transparent. Remcom does this by overseeing the implementation of remuneration policies in relation to NEDs, EDs and other senior executives and reviewing the outcomes of the implementation of these policies and evaluating whether they promote the achievement of the group's strategic objectives and encourage individual performance. Where circumstances necessitate, Remcom will recommend the necessary improvements to the board
- reviewing other remuneration-related matters, as the board may from time to time direct
- considering the appropriate composition, in terms of size, mix of perspective, knowledge, skills, experience, independence and diversity for the board and its committees
- ensuring that induction and ongoing training and development of directors takes place
- ensuring that formal succession plans are in place for the CEO and senior executives.

Meetings and activities

The eight meetings held during the year focused on:
- enhancing remuneration disclosure by taking the principles and recommended practices of King IV™ into account
- reviewing Exco's remuneration packages in accordance with the group's approved remuneration policy, which included commissioning a market trends report from a third-party service provider to assist in the formulation of a recommendation to the board
- determining, following review of associated performance criteria, the vesting or lapsing of the long-term incentive awards awarded in 2018
- considering the succession plans in place for the board, EDs, Exco and senior management, and approving the group's organisational structure, as well as executive structure and reporting lines
- receiving and approving the committee's annual work plan against which the agenda for committee meetings are prepared to ensure that the committee attends to all matters falling within its mandate
- determining, with reference to the labour cost containment measures implemented at operational level as a result of the impact of Covid-19, NEDs' fees for recommendation to the board and subsequent approval by shareholders
- ongoing review, and where appropriate adjustment, of reduced salary levels, with reference to the ongoing effect of Covid-19 and adjusted lockdown levels on operations, liquidity constraints, staff morale and in the interests of job preservation
- placing a moratorium on the award of short-term incentives for the second six months for those who are measured bi-annually, as well as on annual awards for those who are measured annually to preserve cash
- placing a moratorium on the award of LTIs for the 2021 financial year
- implementation of a 5% percent salary increase across the board on 1 August 2021 taking a number of factors into consideration including the 0% increase in the last financial year and its associated impact on our people and staff morale
- considering directors retiring by rotation and formulating a recommendation to the board, subject to them making themselves available for re-election
- reviewing the independence of board members, specifically long-serving directors and confirming their ongoing ability to contribute to board deliberations in a manner that is objective, meaningful and unbiased
- review of the current variable pay policy and approval of the introduction of a new long-term incentive, namely the CSP
- formulation of malus and clawback policy applicable to variable pay
- board and committee composition
- reviewing the group's remuneration policy to cater for revised variable pay policy and report for tabling at the annual general meeting of the company by way of separate non-binding advisory votes.

Details on how Remcom discharged its responsibilities can be found in the remuneration report on pages 82 to 98.

RISK COMMITTEE

Risk appetite and tolerance are fundamental concepts informed by the group's risk culture that set the context for determining the group's strategic objectives and details the risks the group can or is prepared to take and which are to be avoided.

The board determines the group's risk appetite and tolerance levels, while management assumes responsibility for implementing and monitoring the processes of risk management and for the integration thereof into the day-to-day activities of the company.

The group's enterprise risk management process encompasses the review, identification, quantification, prioritisation, response to and monitoring of the consequences of both internal and external risks, and accounts for new and emerging risks and opportunities. It also promotes ownership of risk areas and accountability for risk management. Risk and control procedures are developed, and enhanced upon, on an ongoing basis to improve risk identification, assessment and monitoring. Risks are assessed in terms of potential impact and likelihood. Inherent risk is determined with reference to an evaluation of impact and probability, and its significance to the business, while residual risk is determined with reference to the mitigating strategies in place.

The committee usually meets three times a year to ensure that the company has implemented an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and determining the group's risk appetite and tolerance levels.

The eight-member committee comprises four independent NEDs, one NED, the CEO, the CFO and the divisional director: human resources. All members have the necessary risk management skills and experience required to discharge the committee's responsibilities.

The chairman of the board is not a member of the committee.

Role and responsibilities

The risk committee assists the board in discharging its responsibilities associated with risk management by reviewing the effectiveness of the processes and procedures adopted by management in relation to identifying, evaluating, documenting, managing, monitoring and reporting on risks and the assurance provided thereon.

It is the committee's responsibility to ensure that an effective policy and plan for risk management, that will enhance the group's ability to achieve its strategic objectives, has been implemented.

Responsibilities include:

- overseeing the development of a policy and plan for enterprise risk management in the form of an enterprise risk register (ERR) (taking market risk, credit risk, liquidity risk, operational risk and commercial risk into account) and annually reviewing and recommending its approval to the board
- continually monitoring the implementation of the policy and plan through risk management systems and processes
- evaluating the nature and extent of the risks that the company is willing to take to achieve its strategic objectives and making recommendations to the board concerning the levels of tolerance and risk appetite and monitoring that risks are managed within these levels, as approved by the board
- reviewing the nature, extent and parameters of the group's risk/reward strategy in terms of risk appetite and tolerance relative to reward, as well as the limit of potential loss which the company can accept, and ensuring that risks are quantified where practicable
- reviewing and approving the scope of work of the risk management function, the systems and/or research required and planned activities, and satisfying itself that the function is sufficiently resourced to provide adequate assurance to the committee and specifically that appropriate resources are directed towards areas of high risk
- monitoring that management creates and maintains an effective internal control and risk management environment and that risk is properly identified, managed and monitored
- monitoring and reviewing the implementation and execution of risk management within the business on an ongoing basis
- reviewing the effectiveness and efficiency of the enterprise risk management system and being assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate company policies
- regularly receiving a register of the group's key risks and potential material risk exposures;
- reporting to the board any material changes to and/or divergence from the risk profile of the company
- considering the deliberations of management, the SEC, audit committee, as well as the board to ensure appropriate consideration of key risks facing the company
- periodically reviewing insurance and other risk transfer arrangements, and considering the adequacy of the coverage in place
- expressing the committee's formal opinion on the effectiveness of the system and process of risk management, including instances where the determined tolerance levels have been exceeded or deviated from materially in the IR
- considering internal audit's statement regarding the adequacy, effectiveness and efficiency of internal controls, governance and risk management
- reviewing the impact that significant litigation could have on the group
- reviewing of reporting concerning risk management for inclusion in the IR for timeliness, comprehensiveness and relevance
- reviewing and approving the combined assurance model
- liaising closely with the audit committee to exchange information relevant to risk, financial control and reporting
- overseeing the distribution of the risk management plan throughout the company and its integration in the day-to-day activities of the company
- monitoring the implementation of operational and corporate risk management plans
- considering the need to receive periodic independent assurance on the effectiveness of risk management
- reviewing the risks within the combined assurance model and ensuring coordination with the audit committee, which is ultimately responsible for combined assurance
- reviewing the compliance monitoring plans and policies, and determining whether adequate and effective controls are in place to ensure regulatory compliance.

Corporate governance report continued

Key focus areas include the management, rather than elimination, of risk, and ensuring comprehensive, timely and relevant disclosure with regard to risks facing the company, as no risk management system or combined assurance provided can give absolute certainty that the risks the company faces are fully understood and can be avoided. While the committee assumes responsibility for overseeing the risk management programme in place for the group, management is responsible for identifying and evaluating strategic and operational risks and opportunities, putting the necessary mitigating strategies in place, allocating responsibility, formulation of a risk management plan and monitoring compliance against the plan.

Exco supports the committee in discharging its responsibilities.

Meetings and activities

Given the unprecedented circumstances the company found itself in at the start of the period under review which was during the early stages of the Covid-19 pandemic, coupled with the fluidity of the situation, the committee cancelled its first meeting of the year to afford management the opportunity to navigate the significant risk presented by Covid-19 on its operations and future sustainability.

The two meetings that did take place during the year focused on:

- the far-reaching risk presented by the Covid-19 pandemic, specifically the responses to and strategies put in place to mitigate the impact on the company and its operations, not only during the crisis, but beyond, and monitoring the progress made in respect of the group's claim in respect of business interruption
- performing the annual review of the ERR, incorporating the combined assurance framework, which includes:
  - considering whether any issues have come to light that impact the risk profile of the company which would result in an amendment of the ERR
  - anticipating/predicting risks and the effects thereof on the achievement of the company's strategic objectives and implementing risk responses that allow for the exploitation of opportunities
  - identifying opportunities where effective risk management can be turned into a competitive advantage
  - assessing whether there are appropriate controls in place to manage the risks down to an acceptable level
  - approving the risks identified on a qualitative basis, according to probability and severity and, where appropriate, re-ranking of existing risks
- confirming its satisfaction with the effectiveness of the risk management system and processes in place and that the risks facing the company are being addressed appropriately
- receiving the CEO's report on the status with regard to the group's key risks
- considering the governance, legal and compliance reports, incorporating calls to the whistleblower alert line
- considering uninsured and uninsurable risks and adequacy of cover
- approving the committee's annual work plan against which meeting agendas are prepared.

The key risks on pages 24 to 26 provide further detail on the material risks the company faces.

Managing the changes in the risk environment particularly insofar as they relate to cyber-security, data privacy, sustainability, legal compliance and communicable, contagious and infectious diseases will continue to be areas of focus going forward.

The committee confirms its satisfaction that the group's risks are being managed appropriately and is comfortable with the risk management processes adopted by management.

SOCIAL AND ETHICS COMMITTEE (SEC)

The SEC is a statutory committee of the board responsible for monitoring compliance with relevant social, ethical and legal requirements, as well as best practice codes, organisational ethics, social and economic development, responsible corporate citizenship, environmental sustainability and stakeholder relationships, and as a board committee in respect of the responsibilities delegated to it by the board.

The SEC meets twice a year and comprises three members, an independent non-executive chair and two EDs.

The report detailing how the SEC has discharged its responsibilities appears on pages 99 and 100.

AD HOC COMMITTEE – B-BBEE AND RIGHTS OFFER COMMITTEE

The B-BBEE and rights offer committee was an ad hoc committee mandated by the board to consider options and make recommendations relating to the:

- the B-BBEE transaction, which was due for redemption by 31 January 2021, as well as the consequences of the unwind for the three B-BBEE SPVs and the company, and future B-BBEE considerations
- various liquidity and capital measures, specifically the rights offer, including the timing, size and pricing thereof, given the significant impact of Covid-19 and the nationwide lockdown on the group's cash flow and ability to service its ongoing obligations.

The committee, which comprised three independent NEDs, with the CEO and CFO attending meetings as invitees, met four times between July 2020 and September 2020 to carry out its responsibilities.

MANAGEMENT COMMITTEES

Exco

Exco is the most senior executive decision-making body within the group and assists the CEO in the implementation of strategies and policies adopted by the board, managing the group's day-to-day operations, as well as its overall performance, and discharging the obligations delegated to the CEO by the board.

Exco comprises 10 members following the retirement of Mr Patrick Tate in November 2020 after 32 years with the company and is chaired by the CEO.

Exco meets at least quarterly and is specifically responsible for:

- implementing strategies and policies adopted by the board
- managing the day-to-day activities of the company
- prioritising and allocating the group's capital, technical and human resources
- establishing best management practices and functional standards
- appointing and monitoring the performance of senior management
- maintaining a group-wide system of internal control to manage all group risks to support the board in discharging its responsibility in respect of the effective risk management and, in so doing, supporting the creation and preservation of shareholder wealth
- maintaining a group-wide legal compliance structure
- setting the appropriate ethical tone and creating an ethical environment
- developing and implementing business plans, policies, procedures and budgets, as approved by the board
- monitoring the group's operational and financial performance
- developing and implementing equity and transformation initiatives
- developing and implementing corporate responsibility initiatives, including sustainability
- identifying, managing and developing talent
- managing the internal control environment and preparing reports for presentation to the audit committee
- maintaining the integrity of management information and financial reporting systems
- developing and implementing company policy guidelines, including the code.

As previously reported, in response to the declaration of the national state of disaster and with a view to navigating the company through the challenges presented by the lockdown, Exco was temporarily reconstituted as the Covid-19 Rapid Response Team (CRRT) to include the general managers: operations and head of property and development to specifically:

- run scenarios covering the national state of disaster, and the associated consequences for the group
- address team health and safety, with specific focus on employees, and guests to ensure peace of mind when returning to the group's hotels
- monitor and review business strength, with particular focus on:
  - management and maintenance of hotels where operations were suspended temporarily
  - operations, covering preparation for resumption of operations, protocols, staffing requirements and refreshed food and beverage offerings
  - sales and marketing and a revised room rate strategy
  - IT support to employees working remotely, to the hotels as and when they came online as government eased lockdown restrictions and in preparation for fewer contact operations
- monitor the group's financial resilience, specifically the measures implemented in respect of cost containment and liquidity constraints
- consider execution clarity, aimed at timely and transparent communication
- monitor recovery and revival and the associated preparations for the opening of the economy and the group's hotels and beyond the lockdown.

In addition to the four CRRT meetings, Exco met twice during the year.

Management development and succession committee (Mandasco)

Mandasco meets at least quarterly and comprises nine members, including the CEO, who serves as chairman, the COO and divisional directors and general managers: operations, divisional director: human resources and group talent manager.

The committee is responsible for ensuring that:

- effective management development practices that align with the group's business needs and human capital requirements are in place
- the group's employment equity and transformation objectives are advanced through the attraction and retention of the appropriate level of talent
- a suitable succession pool and talent pipeline is maintained.

The various programmes in place saw the following appointments being made during the year under review:

- General manager: one ADDP candidate and seven succession pool candidates
- Assistant general manager: two ADDP candidates and three succession pool candidates.
- Junior assistant general manager: three succession pool candidates.

Mandasco only met three times during the year given the limited level of operations and associated opportunities.

GOVERNANCE PROCESSES

Combined assurance

The group, in its implementation of combined assurance, has identified a number of roleplayers who, when taken as a whole, enable an effective control environment, support the integrity of information used for internal decision-making as well as the integrity of the group's external reports.

The key differentiating factor between these roleplayers is their levels of independence from the group's operational activities and the company itself.

The various lines of defence distinguish between:

- functions that own and manage risks as part of their day-to-day activities
- functions that oversee risks and provide robust challenge to the management teams
- functions that provide independent assurance.

Corporate governance report continued

First line of defence	Second line of defence	Third line of defence	Fourth line of defence
Management – including strategy development and implementation, performance measurement, risk management, company control and monitoring of compliance to laws and regulations	Corporate (specialist) functions and management committee oversight – the risk and compliance management structures of the company, such as risk management, compliance officers, occupational health and safety, legal services and internal control units	Independent assurance – made up of internal audit, IT audit, forensic audit (reactive), external audit and occasionally external regulators, sustainability and environmental auditors, actuaries as is appropriate to the company. These structures are largely independent of the operational activities of the company and provide assurance to the board	Oversight structures – made up of the overarching oversight structures in the company, including the board and its oversight committees such as audit, risk, SEC and Remcom

Risk management system

Risk management is an integral part of management processes. The group's effectiveness is enhanced when risk management is part of the culture and is embedded in its daily practices and business processes. Risk management focuses on the relationship between risk and its impact on achieving objectives.

The group's risk management system includes the establishment of various policies, strategies, processes, procedures and tools for identifying, measuring, monitoring, managing and reporting all material risks and opportunities to which the group is exposed. The ERM framework sets out the key principles that guide the implementation of risk and capital management at all levels. It provides the necessary foundations and organisational arrangements for managing risk within the group by promoting ownership of risk areas and accountability for risk management, and illustrates how risk management should be embedded in all business units to ensure effective risk management strategies are integrated in all work contexts.

Internal control system

The internal control system:

- acts as an enabler for the delivery of effective governance and to demonstrate that adequate internal controls are in place and operating satisfactorily.
- outlines the various elements influencing and contributing to a sound internal control environment to ensure adequate control over operations, compliance and financial reporting.
- has been designed to provide reasonable assurance from a control perspective that the business is being operated consistently within the:
  - strategy and risk appetite set
  - agreed business objectives
  - agreed policies and processes
  - laws and regulations.

Internal audit

The internal audit function provides independent, objective assurance to the board in respect of the effectiveness of its governance, risk management and internal controls. The function, which is outsourced, complies with the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics, and operates within approved terms of reference. It follows a risk-based approach, evaluating significant business, strategic and control risks, and the internal audit plan is informed by the strategy and risks of the group. This assists management in the development and implementation of effective internal controls to address the risk of material misstatement of financial results.

The head of internal audit reports functionally to the audit committee and administratively to the CFO. Internal audit has unrestricted access to the CEO, CFO, and the chairman of the audit committee.

Audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, with hotels being audited roughly once every three years, unless circumstances dictate otherwise. The customary number of hotel reviews, usually 20, was revised down due to Covid-19 and its effect on the team's ability to carry out the audits, as well as the likelihood that operations were only likely to resume during or about September 2020, and then only on a limited basis with hotel re-openings subject to demand. Reports are presented at each audit committee meeting and are prepared in accordance with a defined set of audit criteria which highlight audit area ratings per hotel and summarise internal audit activities. Corrective action is taken where significant internal control weaknesses are identified and follow-up audits may be conducted if deemed necessary.

Based on the results of the reviews completed during the year, which yielded an average score of 97% (2020: 93%), the internal audit function and the audit committee concluded that the overall operational internal control effectiveness is excellent.

The audit committee reviews the effectiveness of the internal audit function to ensure that adequate, objective internal audit assurance standards and procedures exist and annually approves the internal audit plan and budget for the ensuing year.

Where mandated by the audit committee, internal audit carries out special assignments. During the year under review a cyber-security assessment aimed at providing the company with:

- a current state assessment of its cyber-security programme, including organisational structure, processes and supporting technology
- an understanding of the existing cyber-security maturity programme
- executive level reporting, as well as recommendations for improvement,

was undertaken. The results of the assessment will be reported on in the 2022 IR.

The audit committee:

- having confirmed the quality and effectiveness of the internal audit processes and taking cognisance of management's views, concluded that the internal audit function operates effectively
- upon assessing the independence of the internal audit function has with reference to, inter alia, the IRBA Code of Professional Conduct requirements 290.192-290.195 and 290.197, concluded that, notwithstanding KPMG acting as internal and external auditors to the company and taking the ratio of fees between non-audit services and audit services into account, it is satisfied that the independence of the function has not been compromised.

Non-audit services

The policy for the provision of non-audit services by external audit provides guidelines on the audit, audit-related, tax and other non-audit services that the external auditor may and may not provide.

All non-audit services performed by the external auditor must be pre-approved by the audit committee in order to ensure that the provision of such services does not impair the external auditor's independence.

Dealing in securities and insider trading

The company has a board-approved policy on dealing in company securities, which requires prior written clearance before dealing in company shares.

Dealing in company shares must be approved as follows:

- directors and the group company secretary – by the chairman
- the chairman – by any other designated director, but preferably the deputy chairman.

All dealings in securities are effected through the office of the group company secretary and published via the group's sponsor on the JSE's Stock Exchange News Service.

The company has the following closed periods:

- from the end of the interim and annual reporting periods until the day following the announcement of the group's results for the relevant period
- any period when the company is trading under a cautionary announcement or is negotiating a major transaction and an announcement relating thereto is imminent, during which time no director, the group company secretary or prescribed officers may deal in company shares.

Conflicts of interest and other directorships

Declaration of interests in contracts and other companies, and details of other directorships, is a standing item on the board and Exco agenda in addition to making an annual written declaration in this regard.

Directors are required to recuse themselves from discussions on those matters where they are, or may potentially be, conflicted after they have provided any material information relating to the matter.

EDs may, with the chairman's permission, having due regard to whether the appointment may conflict with the business of the company and/or have a negative impact on their ability to effectively meet their responsibilities, accept external board appointments.

While no limitations are imposed on the number of other appointments directors may accept, they are required to engage with the chairman with regard to their external appointments in order to ensure that acceptance of the additional appointments will not impact their ability to devote sufficient time to the company.

The chairman of the board is satisfied that the NEDs have devoted the requisite amount of time to discharge their responsibilities to the company and that no director has a material interest in any contract entered into by the company.

Anti-bribery and corruption

The group's zero-tolerance approach to all forms of bribery and corruption applies to all business relationships and requires everyone to work against corruption in all its forms, including extortion and bribery.

The giving and receiving of bribes and facilitation of payments, as well as the making of political donations, are strictly forbidden.

Various procedures are in place throughout the group to facilitate reporting and outside interests and monitoring of inter alia receipt of gifts, including hospitality.

In compliance with section 159 of the Companies Act, the company has established and maintains a system to receive whistleblowing alerts to enable internal and external stakeholders to report any suspected activity anonymously. Refer to page 61 for further detail.

Compliance

The group:

- recognises the critical role that compliance plays in both the governance and sustainability of its business. Accordingly compliance is built into the fabric of its governance frameworks and structures.
- has a strong culture of compliance and is committed to conducting its business in accordance with applicable laws, rules and regulations, as well as codes and standards that have been adopted by the group.

Corporate governance report continued

The governance and compliance function monitors governance developments and assesses compliance with, and the impact of, applicable laws and regulations on the business. The board is informed of regulatory changes, non-binding standards and codes that may have an impact on the group.

The board, through the SEC and risk committee, monitors compliance and compliance risks by means of committee reports. Where required, external experts are engaged to assist and advise.

The main areas of focus during the year were:

- POPIA and GDPR compliance specifically:
  - delivering against the various privacy workstreams as documented in the privacy execution plan including:
    - formalising privacy governance structures, including the appointment of an information officer and their registration with the information regulator
    - development of a privacy policy, compliance statement, operator and data processing agreements
    - updating the group's promotion of access to information manual to address the requirements of POPIA
    - formation of a standing committee, chaired by the group's information officer to consider all privacy-related matters and requests
    - aligning business practices with the required controls to align with privacy
    - embedding mechanisms to give effect to individual rights for privacy
    - physical and technical controls for security
    - managing third parties who process personal information on the group's behalf
    - privacy awareness campaigns and training around protecting information
  - cyber-security enhancements covering, inter alia:
    - securing of information and infrastructure through, inter alia, threat and vulnerability management, as well as access and asset management
    - ongoing monitoring of IT environment
    - ongoing security awareness campaigns
    - business continuity planning
- ongoing maintenance of the regulatory universe, including ongoing identification and compliance monitoring, which includes, inter alia, the review of legislation, its impact on the company, the associated compliance requirements, implementation of policies and procedures based on applicable laws and regulations, and creating awareness.

Planned areas of focus include:

- ongoing delivery of privacy execution plan deliverables
- compliance training in identified areas, including information security and privacy awareness campaigns and training around protecting information
- ongoing maintenance of the regulatory universe
- effecting improvements to the legal compliance framework with reference to emerging risks, and reviewing and updating existing policies.

Information technology

IT is integrated into the business and is an important enabler both in the enhancement and advancement of the group's objectives and position as a leader in its field.

The board is ultimately responsible for IT governance (ITG) and the strategic alignment of IT with the group's performance and achievement of its strategic objectives. It has delegated responsibility to implement the ITG framework to management under the oversight of the audit committee where ITG is a standing item on the audit committee agenda.

IT policies and procedures cover, inter alia, the use and safeguarding of the group's information and IT systems, use of social media, disaster recovery plans, as well as the regular updating and improvement of IT technology.

The divisional director: IT, who reports directly to the CFO, is responsible for IT operations within the group, specifically the implementation of business-focused IT strategies and ensuring proper system security, data integrity and business continuity.

She is furthermore responsible for consolidating feedback relating to the performance of IT within the company, so that reactive or proactive steps may be taken to ensure that the company derives the maximum value from IT, while at the same time managing its risks and ensuring that the IT function is focused on IT investment initiatives, internal engagement to promote collaborative IT planning and the promotion of IT effectively to capitalise on economies of scale across the group.

Areas of focus included:

- enhancements to the WiFi infrastructure, like the WiFi portal
- continued investment into technology platforms with a view to stabilising the current environment
- trialling of a BI tool that uses AI for predictive analysis in the future
- introduction of enhanced technology services for guests and staff
- identifying and migrating from paper-based processes to digital-based processes
- leveraging off the BI tools implemented to predict future trends and provide rich data analysis
- implementation of a Best Available Rate (BAR) rates engine for our property management system for direct and website bookings.

Future focus areas include:

- improving our security posture, including a revised disaster recovery strategy
- developing our cloud transformation strategy
- formalising our digital transformation strategy to streamline our back-office functions and guest interaction
- implementation of BAR rates engine for our OTA and GDS channels
- enhancements to the BI tools
- investigating a new loyalty programme.

The board is satisfied that ITG is being addressed appropriately and is suitably aligned to the achievement of the group's objectives, that the systems of internal control over IT are adequate and effective, and that there has not been a material breakdown in the functioning of the internal control systems during the year under review.

Litigation

The group is, in the ordinary course of business, subject to legal proceedings, which for a number of reasons, including risks and uncertainties, cannot be reliably predicted.

The group is not, and has not during the year under review, been involved in any legal or arbitration proceedings that will or may have a material effect on the operations or financial position of the company, nor are there any such known proceedings pending.

Sponsor

The group's sponsor, Nedbank Corporate and Investment Banking, advises the board on compliance with the JSE Listings Requirements.

Stakeholder engagement

The group is committed to the timeous and transparent reporting of relevant matters to its stakeholders as required by the Companies Act, the JSE Listings Requirements and best practice guidelines, recognising that its long-term sustainability objectives are supported through engaging with stakeholders to address matters of mutual interest. Continuous engagement with key stakeholders takes place to promote the achievement of the group's business objectives and support economically, socially and environmentally sustainable practices. The group aims to treat all its stakeholders fairly and strives to enhance and develop services and communication channels to meet their expectations.

The board, as ultimate custodian of stakeholder relations, has delegated responsibility for proactively dealing with the group's various stakeholders to the executive and divisional directors, group company secretary, hotels and outsourced public relations function.

Various methods of engagement have been adopted and include face-to-face meetings, results presentations with major institutional shareholders after the release of results, hosting investor and analyst sessions, the annual general meeting, engaging with the broader stakeholder community through its marketing efforts, advertising via various social media platforms, directly with guests via guest questionnaires, and with local communities through various corporate social initiatives.

General investor interaction during closed periods is limited to discussions on strategy and/or historical, publicly available information.

Remuneration report

PART 1 – BACKGROUND STATEMENT

DEAR SHAREHOLDERS

I am pleased to present the remuneration and nominations committee (Remcom) report for the financial year ended 30 June 2021, highlighting the key issues considered during this period.

This remuneration report conforms to the reporting structure recommended in King IV™ and is presented in three parts, namely:

- Part 1: background statement.
- Part 2: an overview of the remuneration policy.
- Part 3: the implementation of the policy for the year ended 30 June 2021.

OUR PERFORMANCE AND CHANGES TO OUR REMUNERATION POLICY

Like many other companies, we continue to weather the effects of the Covid-19 pandemic on our business. The Group's ability to recover was significantly affected by the return to more restrictive lockdown levels during the second and third waves and hesitancy to return to travel, coupled with the delay in the roll-out of the Covid-19 vaccination locally and which has been well covered throughout this IR. This in turn continues to have an impact on the way we remunerate our staff and has resulted in the ongoing implementation of salary reductions across all levels, which remain in place as at the date of this report. Furthermore, participation in the FY20 short-term incentive (STI) for the executive directors (EDs) was cancelled and the FY21 STI was suspended for all participants. In addition, no long-term incentives (LTIs) were awarded in respect of FY21. Against this backdrop and the importance of effectively implementing the company's turnaround strategy, the Remcom, which had already, in the prior year, commenced a review of the group's existing incentive schemes to determine whether they were fit for purpose and are beneficial both in motivating and retaining the people who are instrumental in executing our business strategy, took the opportunity to also review our current remuneration offering with a view to establishing whether it remains fair and reasonable.

In considering the possible alternatives for implementation, ensuring variable pay, in particular, is aligned with our medium-term strategy and makes sense in the context in which we operate, while at the same time incentivising and retaining our top talent who have suffered ongoing and extreme financial hardship as a result of the pandemic, remained top of mind. We are pleased to present, after careful consideration, a new variable pay programme for the forthcoming financial year in this report. The incentives we have put in place for FY22 are specifically aligned with milestone-based performance measures which we believe are critical to the success and turnaround of the business, while being mindful that any form of incentive remuneration should be linked to long-term shareholder value creation and the preservation of our cash flows. The main changes can be summarised as follows:

- No adjustments were effected to employees' guaranteed pay during FY21 other than the implementation of salary reductions with effect from April 2020. On the basis that hotels were initially under Risk Adjusted Strategy Level 5, not permitted to operate, save where they were serving as quarantine hotels, providing accommodation to guests who were not able to leave the country and accommodating essential service workers, group hotels were placed under temporary suspension of services ("TSOS") and salaries were reduced to 50% (Exco: 80% on the basis that Exco continued to operate on a full time basis throughout) in an effort to preserve jobs. As government relaxed lockdown measures and hotels were permitted to start operating and firstly inter-provincial and later international travel was permitted, the group followed a measured approach in the reopening of its hotels, taking fixed costs, cash flow and demand into consideration. With the return to operations, albeit limited, salaries were increased to 60% (Exco: 90%) on 1 September 2020 and to 70% (Exco: 95%) on 1 November 2020, where they remain as at publication of this report. In an effort to ensure alignment, the number of shifts worked by each employee was reduced by the same percentage as the applicable salary reduction and where employees have been required to work more than their resultant reduced percentage of shifts they have been remunerated. Salaries have remained at these reduced levels due to the ongoing impact of the Covid-19 pandemic on the group's ability to recover, particularly with the return to more restrictive lockdown measures during the second and third waves, as well as hesitancy around travel due to increased infection rates and the delayed vaccination roll-out. The remaining staff complement, who are not on a cost-to-company package, received 70% of their monthly salary as a 13th cheque.
- In an attempt to preserve cash, participation in the STI for the EDs for FY20 was cancelled, and was suspended for all eligible participants during FY21 extending through FY22.
- A new share plan, namely a conditional share plan (CSP) has been introduced for FY22. As a result of no STI being offered in FY22, the only variable pay will be via the CSP. To cater for the fact that no STI will be offered in FY22, award levels have been calibrated to represent a normal LTI allocation and 50% of a normal STI allocation. The CSP has been developed as a flexible plan which affords us the ability to impose appropriate performance measures, performance periods, vesting periods and post-vesting holding periods depending on the business' needs at the time of making an award. The first award will measure performance over a one-year period. A one-year period was chosen due to the fact that the calibration of three-year forward-looking performance measures was not possible at this point in time, given the current economic climate and urgency required for the implementation of the company's turnaround strategy, coupled with the fact that doing so would not result in fair or meaningful outcomes in terms of variable pay and would not successfully drive the desired behaviour and outcomes needed to sustainably recover and grow value for shareholders. We have however implemented a number of additional measures as a compromise for using a shorter performance period, as discussed in detail below. As we move to a 'business as usual' phase, we will again review the incentive measures and performance period in respect of future years' awards.

In designing the incentives for FY22, a number of safeguards have been put in place, namely:

- All variable pay will be delivered in shares to ensure long-term shareholder alignment

- To ensure further alignment, certain of the tranches of the vested shares are subject to post-vesting holding requirements
- The delivery of shares will not cause any shareholder dilution as the only method of sourcing the shares will be via an on-market purchase
- Settlement of the shares is subject to an affordability measure, which means that no shares will be settled if the affordability measure is not met
- None of the existing and outstanding share appreciation rights (SARs) were adjusted despite the significant negative impact of the deeply discounted rights offer. This coupled with our already depressed share price meant that all the SARs are deeply underwater with no reasonable prospect of delivering any value. This notwithstanding, participants have agreed to have all their existing vested and unvested SARs cancelled as a qualifying criterion to be considered for participation in the CSP
- The introduction of the CSP also afforded us the opportunity to introduce a malus and clawback policy.

SHAREHOLDER ENGAGEMENT AND VOTING

At the annual general meeting (AGM) held on 11 December 2020, 89.83% and 82.54% of shareholders voted in favour of the remuneration policy and implementation report, respectively. The outcomes of the non-binding advisory votes in 2019 and 2020 were as follows.

Advisory vote	Required percentage	December 2020	November 2019
Remuneration policy	75	89.83%	97.14%
Implementation report	75	82.54%	97.17%

We analysed the shareholder feedback received and list the main concerns raised, together with the Remcom's response thereto:

Shareholder concerns raised	Our response
Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay and company performance	As mentioned above, we have reviewed our polices during the year to ensure their continued relevance. This resulted in the development of a new variable pay programme. We also took the opportunity to enhance the disclosure of our pay for performance link
Poor use of remuneration committee discretion regarding the grant of a one-off award to the chief financial officer (CFO) upon joining the company	Noted for future reference
A preference was expressed for the use of full value instruments as opposed to SARs	SARs have been discontinued and the new CSP comprises full value shares
A need was expressed to introduce minimum shareholding requirements and malus and clawback provisions	A malus and clawback policy was formulated and introduced. Although we do not have a formal minimum shareholding requirement policy in place, the new CSP includes a post-vesting holding period which will encourage executive share ownership.

Shareholders are hereby invited to approach and engage with the company regarding any comments and/or concerns which they may have, prior to the AGM.

In compliance with King IV™ and the JSE Listings Requirements, the remuneration policy and the implementation report respectively are set out in parts 2 and 3 and will be tabled at the forthcoming AGM, scheduled for 25 November 2021, for separate non-binding advisory votes. Should a dissenting vote of 25% or more be received for either the remuneration policy or the implementation report, or both, we will, via SENS, outline the process and timing of our proposed engagement to determine the reasons behind the dissenting votes and address reasonable and legitimate objections and concerns raised.

KEY ACTIVITIES OF THE REMCOM DURING THE YEAR

Key areas of focus and decisions taken during the reporting period included:

- Review of the current variable pay policy, which included obtaining expert external advice, and approval of, the introduction of a new long-term incentive, namely the CSP
- Researched and obtained expert external advice on the formulation of a malus and clawback policy
- Review of the remuneration policy to cater for revised variable pay policy
- Commenced a review of the Remcom terms of reference to ensure alignment with King IV™
- Ongoing review, and where appropriate adjustment, of reduced salary levels, with reference to the impact of Covid-19 and adjusted lockdown levels on operations, liquidity constraints, staff morale and in the interests of job preservation
- Resolved that STI and LTI awards for the FY21 remain suspended
- Approved a 5% percent increase in respect of all employees for the FY22, having considered the impact of the ongoing salary reductions implemented in April 2020 on staff morale and 0% increase for FY21

Remuneration report continued

- Tested the achievement of the 2018 SARs performance conditions, which were not met and accordingly lapsed, it being noted that this was the fourth consecutive year that the SAR had not vested
- Approved the vesting of the 2018 Restricted Share Plan (RSP)
- Recommendations for non-executive director (NED) fees and the fees for board sub-committees, taking cognisance of the impact of Covid-19 on the group's business and the labour and other cost containment measures put in place, into consideration
- Reviewed board and committee composition
- Reviewed independence of directors
- Reviewed the succession plans in place for the board, including EDs and Exco, as well as executive structure and reporting lines
- Reviewed and approved the remuneration report for inclusion in the IR.

FUTURE AREAS OF FOCUS

The following focus areas have been identified for the forthcoming year:

- Ongoing review of remuneration practices with a view to ensuring that employees are fairly, equitably and responsibly remunerated and that the critical skills required to deliver on the group's strategic objectives and promote positive outcomes over the short, medium and long term are retained
- Engaging with shareholders on remuneration
- Benchmarking the remuneration policy against best practice
- Reviewing and consideration of the reintroduction of STI schemes and timing thereof, with reference to the company's financial position.

In alignment with a value creation and pay for performance culture, the company places a greater emphasis on variable pay for EDs and Exco, which the Remcom monitors on a continuous basis.

OUR APPROACH TO FAIRNESS IN PAY

The Remcom remains committed to remunerating its employees fairly and responsibly, however given the current environment a number of measures, including ongoing salary reductions and 0% increase for FY21, have been put in place to preserve jobs and contain costs in the interests of the sustainability of the company. Reduced salary levels have been reviewed regularly and adjustments affected, where appropriate, taking the liquidity position into consideration. Human resources successfully facilitated UIF-TERS payments by submitting claims on behalf of employees affected by the salary reduction as a result of lockdown regulations, limiting the impact somewhat.

The group acknowledges the principle of fair and responsible executive remuneration and is sensitive to the wage differential between executive and lower-income employees, acknowledging that the gap between the remuneration of executives and lower-level employees requires attention. In recognition of the differential, the Remcom has embarked on a programme where over the past several years, the percentage increase awarded to the lower-paid employees was higher than that awarded to the highest paid, save for certain exceptions where packages were found to be lagging the market or following a change in responsibilities. The group's minimum wage is approximately 2.2 times more than the statutory minimum for the industry. The top 10% of the organisation, there being no differentiation based on race or gender, earns approximately 15 times more than the bottom 10% (compared to national figures reported in 2015, where the top 10% of full-time South African employees took home, on average, 82 times more than the bottom 10%, with the average earnings for white workers more than three times higher than for African workers (Isaacs, 2016)).

In an effort to find a balance between the interests of executives and shareholders, a significant portion of their pay is at risk and subject to stretching performance conditions. However, during FY21 and FY22 none of our executives were offered any variable pay.

That said, and taking into account the challenges the industry faces, the Remcom recognises that in order to ensure a focused drive to meeting shareholder expectations, the group's top talent must be presented with a competitive value proposition in terms of total remuneration.

We are conscious of the importance of employee wellbeing in the workplace and consistently and continuously assess and review the remuneration policies, including benefits, in place to ensure the company is offering the best benefits, bearing affordability in mind.

The Remcom is of the view that:

- it has discharged its obligations as detailed in its terms of reference responsibly and that the principles advocated by King IV™, the Companies Act and the JSE Listings Requirements, as well as the remuneration policy have been applied
- the remuneration policy and its implementation are appropriately aligned with the group's strategic objectives and stakeholder interests
- the principles adopted are appropriate for guiding its decisions to remunerate fairly and responsibly.

Assessed against King IV™ and the JSE Listings Requirements, the Remcom is satisfied with remuneration compliance and that it has duly executed its responsibilities during the financial year under review.

A special note of thanks to our frontline employees who returned to work as lockdown restrictions permitted our hotels to operate, and demand warranted their reopening, for their commitment and dedication, notwithstanding the continuing effects of the Covid-19 pandemic.

Finally, following a challenging year with less-than-favourable performance, largely attributable to factors outside the control of the executive, it is of paramount importance that key executive talent is retained and rewarded for their hard work in steering the company through the challenges it has faced and continues to face during this critical turnaround period for the business and to ensure a focused and driven approach to meeting shareholder expectations.

Frank Kilbourn
Chairman of the remuneration committee
28 October 2021

PART 2 – OVERVIEW OF THE REMUNERATION PHILOSOPHY AND POLICY

This report details the activities of the Remcom and provides an overview of the group's philosophy, principles and approach with regard to remuneration, specifically highlighting remuneration applicable to EDs, Exco and NEDs. The remuneration policy will be put forward to shareholders in order to obtain endorsement thereof by way of a non-binding vote at the AGM.

GOVERNANCE AND THE ROLE OF THE REMCOM

The Remcom is responsible for overseeing the governance of remuneration matters. It is specifically responsible for ensuring that the company remunerates its EDs and senior executives fairly and responsibly, and that the remuneration policies in place serve the group's long-term interests.

In discharging its responsibility, the Remcom reviews the remuneration policy and its implementation on an annual basis.

The Remcom also takes management's recommendations under advisement when making recommendations to the board on the fees payable to the NEDs, which recommendations are subject to shareholder approval.

Specifics with regard to the composition, role and responsibilities of the Remcom, activities undertaken during the year and the remuneration policy are disclosed on pages 74.

REMUNERATION POLICY

Reward philosophy and strategy statement

The group's policy is to pay its staff at a market rate comparable to similar roles within the market. On the basis that the ED and Exco's guaranteed package is benchmarked across industries, with reference to size and turnover, and in order to attract scarce and critical skills to implement the group's strategy and retain high-calibre individuals at this level, the company aims to set its guaranteed pay at the upper quartile. In respect of the remaining employees, the company aims to pay between the mean and upper quartile within a normal distribution range of the relevant industry (hotels and hospitality).

CLHG is committed to developing, implementing and upholding total reward strategies and practices which:

- are fair and responsible and consistent with, and aligned to, the vision, mission, values and business objectives of the company and to promote the achievement thereof
- pursue the best interests of the company, its shareholders and its internal and external stakeholder base;
- offer an appropriate mix of fixed remuneration and variable remuneration, which includes STIs and LTIs
- are market-related
- are driven by, and show a commitment to, rewarding performance, integrity and quality innovation
- offer competitive benefits
- articulate a distinctive value proposition for current and prospective employees.

Total reward strategy

The total reward strategy is aimed at:

- providing an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired business results;
- adhering to legal, ethical and best practice standards, and reflecting good corporate governance and citizenship by complying with and exceeding industry and statutory minimum standards; and
- aligning reward practices with business strategy through a process of analysis, thereby ensuring that they serve the business practices.

Remuneration report continued

Remuneration structure

The various components of remuneration applicable to South African employees, together with how the policy will be applied in FY22 and beyond is detailed below:

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Eligibility for FY22	Past and planned future eligibility
Fixed						
Total guaranteed package (TGP) (monthly salary, retirement funding based on pensionable salary, medical aid, death and disability cover).	The basis of the group's ability to attract and retain the required skills. Reflects the individual's role and position.	Annually – 1 August to 31 July	Reviewed annually, having regard to the approved increase mandate, benchmark data received from independent remuneration consultants, where applicable, macro-economic factors, inflation, affordability, scarcity of skills, complexity of role, experience and performance.	Payment takes place monthly and comprises a mix of cash, salary as well as compulsory and discretionary benefits.	• Employees below manager level*/** • General managers* • Senior and head office management* • Exco • ED	• Employees below manager level*/** • General managers* • Senior and head office management* • Exco • ED
Variable						
Short-term incentive Performance appraisal linked (PAL) bonus.	Drive a 'pay for performance' culture and reward the achievement of business objectives.	Bi-annually – 1 July to 31 December and 1 January to 30 June	As this plan will not be used in FY22, there are no prospective performance measures to disclose. Appropriate measures will be selected when the plan is reintroduced in FY23.	Cash settlement capped at a percentage of TGP depending on individual's role. The standard payout level is generally expressed as a percentage of salary and then moderated by the performance score.	None In an effort to preserve cash in the short term, no participation will be offered in FY22. Instead some of the STI opportunity of general managers and senior and head office managers will be offered as an LTI under the new Conditional Share Plan (CSP).	• Assistant general managers • General managers • Senior and head office managers In future years, as the company moves into a more stable phase, the PAL bonus may be reintroduced, in which event details thereof will be disclosed in the FY22 remuneration report. The merit of putting a qualifying employee forward for participation is debated between the chief operating officer (COO) or head of division and the chief executive officer (CEO), and once reviewed by the external auditor, qualifying candidates are recommended to Remcom for approval.

** 13th cheque over and above base pay and benefits.*
*** Employees' share ownership opportunities exist through the 10th Anniversary Employees' Share Trust, subject to qualification criteria being met.*

Element of pay type	Purpose	Performance period	Performance measures	Settlement	Eligibility for FY22	Past and planned future eligibility
Variable						
Short-term incentive Executive committee performance management scheme (ECPMS)	Drive a 'pay for performance' culture and reward the achievement of business objectives and in so doing aligns employee focus with shareholder expectations while simultaneously promoting retention through share ownership.	Financial measure: Bi-annually – 1 July to 31 December and 1 January to 30 June Non-financial measure: Annually – 1 July to 30 June	As this plan will not be used in FY22, there are no prospective performance measures to disclose. Appropriate measures will be selected when the plan is re-introduced in FY23.	Financial measure: February and August Non-financial measure: August	None In an effort to preserve cash in the short term, no participation will be offered in FY22. Instead some of the STI opportunity will be offered as an LTI under the new CSP.	• Exco In future years, as the company moves into a more stable phase, the ECPMS bonus may be reintroduced, in which event details thereof will be disclosed in the FY22 remuneration report.
Short-term incentive Executive director incentive scheme (EDIS)	Drive a 'pay for performance' culture and reward the achievement of business objectives and in so doing aligns employee focus with shareholder expectations while simultaneously promoting retention through share ownership.	Annually – 1 July to 30 June	As this plan will not be used in FY22, there are no prospective performance measures to disclose. Appropriate measures will be selected when the plan is re-introduced in FY23	August	None In an effort to preserve cash in the short term, no STI participation will be offered in FY22. Instead some of the STI opportunity is offered as an LTI under the new CSP.	• EDs In future years, as the company moves into a more stable phase, the EDIS bonus may be reintroduced, in which event details thereof will be disclosed in the FY22 remuneration report.
Long-term incentive (RSP)	Aligns employee interests with shareholders' interests.	Annual awards with three-year vesting periods and subject to vesting conditions being met.	RSP: earning of a bonus in the preceding financial year.	Settled on award but the shares are subject to disposal restrictions until the expiry of a three-year vesting period	None	• General managers • Head office management Future participation will be considered and disclosed in the FY22 remuneration report.
Long-term incentive New Conditional Share Plan (CSP)	Execution of our medium-term strategy while ensuring long-term shareholder alignment	Annual awards subject to performance conditions	Achievement of threshold, target or stretch performance conditions, measured over a performance period and vesting only to the extent performance conditions are met. The measures for FY22 are disclosed below	Shares are settled subsequent to vesting, but subject to affordability measures. Settled shares can be made subject to a post vesting holding period	• General managers • Senior and head office management • Exco • ED	No past participation. It is anticipated that future eligibility (FY23 onward) will be restricted to: • Senior management • Exco • ED

Repricing, regranting and backdating of awards are prohibited. No awards are allocated or vested during closed periods.

Remuneration report continued

LONG-TERM INCENTIVE (LTI)

Structural overview of LTIs

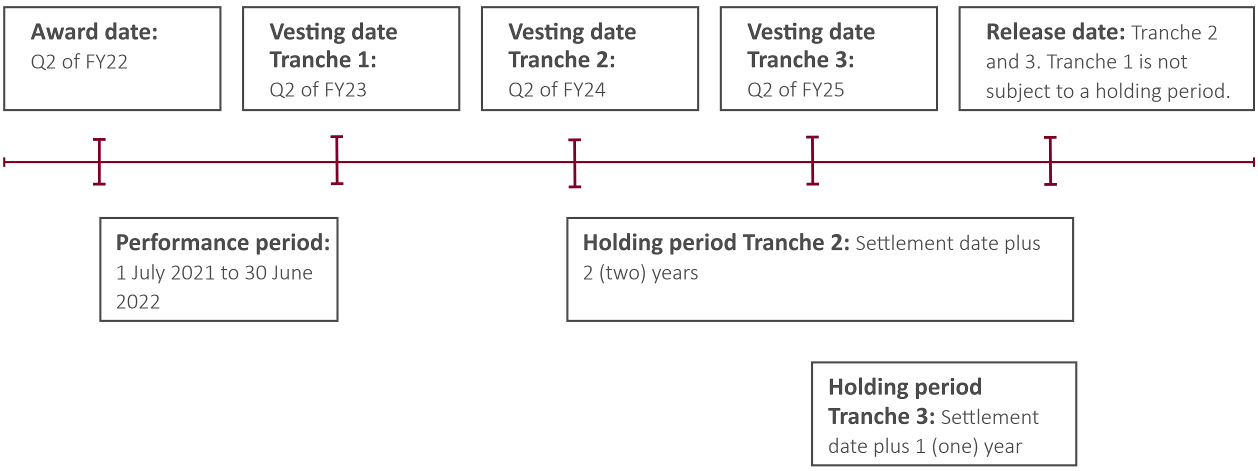
With effect from 1 July 2022, the company will use a new LTI, namely a CSP. During FY22, the CSP will be the only LTI instrument offered and from FY23 onwards, when the normal STI schemes will be re-used, it is envisaged that the EDs, Exco and senior management will continue to participate in the CSP while participation in the RSP will be subject to Remcom discretion.

	CSP	RSP
Description	Participants receive a conditional right to receive shares in the company, vesting is subject to the achievement of forward looking performance conditions	Participants will receive a full share and become a shareholder on the award date, but subject to forfeiture in the event that the employee leaves the employment of the company within a specified period. These shares entitle participants to share in dividends and to exercise voting rights. The participant can, however, not sell or encumber the shares prior to vesting. Two types of awards can be made: • Retention awards (used on an ad hoc basis) • Bonus awards – a portion of the STI is matched in restricted shares.
Purpose	To attract, retain and incentivise employees.	To attract, retain and incentivise employees. To provide selected employees with the opportunity of receiving shares in the company. The RSP was initially used as a retention mechanism or as a tool to attract prospective employees, but is now being used as a tool to incentivise and retain employees.
Eligibility	For FY22: ED Exco Senior management Head office management General managers For FY23: ED Exco Senior management	For FY22: No participation is offered For FY23: Subject to the Remcom approving participation in the RSP.
Company limit	The CSP is non-dilutive, and the company is not capable of using any new shares or use existing treasury shares in settlement thereof.	The RSP was approved by shareholders during 2011 and operates in accordance with the company limit as approved by shareholders at the time.
Individual limit	Affordability is considered each time before an award is settled.	The RSP was approved by shareholders during 2011 and operates in accordance with the individual limit as approved by shareholders at the time.
Settlement method	The CSP is not dilutive and only provides for a market purchase of shares.	The rules of the LTI plans cater for the following: • Market purchase of shares • Issue/subscription of new shares However, the group's preference is to settle all awards under the RSP from a market purchase of shares. The rules of the RSP have been drafted more broadly to also include the use of treasury shares as a settlement method.

	CSP/RSP
Termination of employment	Participants terminating employment prior to the vesting date of a particular award will be classified as a good or bad leaver. Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro rata portion of all unvested awards will vest on the date of termination of employment. The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.
Change of control	In the case of a change of control, a pro rata portion of all unvested awards will vest on the date of change of control. The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met and are to be exercised within a period determined by Remcom.
Variation in share capital	In the event of a variation in share capital, the participants will continue to participate in the various long-term incentive (LTI) plans. Remcom may, however, where the group's value has been materially affected, make an adjustment to the number of awards to give a participant an equivalent fair value of the equity capital as to which he/she would have been entitled prior to the event.

POLICY DETAIL PERTAINING TO FY22

The CSP will be implemented in the following manner during FY22:



Remuneration report continued

Additional implementation detail:

<table>
<tr><th>Element</th><th>Policy explanation</th></tr>
<tr><td>Instrument</td><td>Participants receive conditional rights to shares on the award date. They however have no shareholders rights before the awards are settled.</td></tr>
<tr><td>Allocation quantum</td><td>Due to the fact that no STI is being offered in FY22, 50% of the normal STI participation will be offered under the CSP (the remaining 50% of the STI will fall away and not be compensated for), plus the normal LTI allocation, resulting in the following allocation levels:
<table>
<tr><th></th><th>Allocation %</th></tr>
<tr><td>Executive directors</td><td>115</td></tr>
<tr><td>Exco</td><td>50</td></tr>
<tr><td>Senior management</td><td>33</td></tr>
<tr><td>Head office management</td><td>23</td></tr>
<tr><td>General managers</td><td>23</td></tr>
</table>
In future years when the STI is reintroduced, participation and the CSP allocation quantum will be adjusted.</td></tr>
<tr><td>Performance period</td><td>Given the difficulty, specifically in the current unpredictable environment in setting forward-looking performance conditions over a three-year forward-looking basis, performance for the current year’s award will be measured over a one-year period, aligned with the company’s financial year end.</td></tr>
<tr><td>Performance conditions</td><td>The performance conditions comprise a combination of the measures which the Remcom believes address all the critical measures management needs to achieve over the ensuing financial year. Due to the commercially sensitive nature associated with the measures, the actual targets cannot be disclosed, but will be disclosed on a retrospective basis in part 3 of the FY22 remuneration report:
<table>
<tr><th></th><th>Executive directors weighting %</th><th>Other participants weighting %</th></tr>
<tr><td>Debt covenant measures</td><td>25</td><td>0</td></tr>
<tr><td>Occupancy levels</td><td>25</td><td>40</td></tr>
<tr><td>Free cash flow</td><td>25</td><td>20</td></tr>
<tr><td>EBITDA</td><td>25</td><td>40</td></tr>
</table></td></tr>
<tr><td>Performance condition vesting levels</td><td>Each performance condition is assigned a threshold, target and stretch condition resulting in the following vesting outcomes with linear vesting applying between the levels:
Below threshold – 0% vesting
Threshold – 30% vesting
Target – 65% vesting
Stretch – 100% vesting</td></tr>
</table>

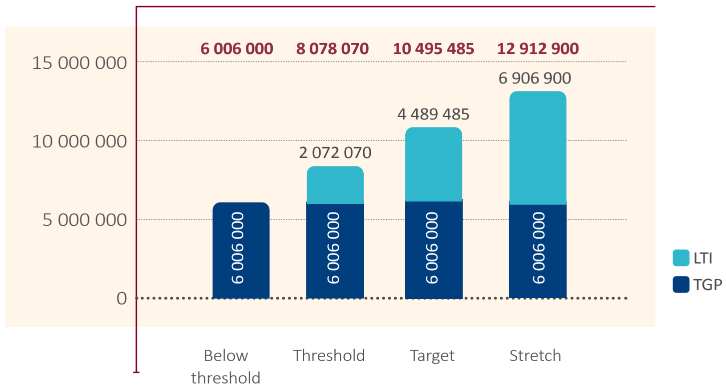
Element	Policy explanation
Vesting and holding periods	The conditional rights will vest in equal annual tranches of one-third each, subject to the achievement of the performance conditions and settlement is subject to an affordability measure relative to free cash flow. The first third will vest one year after award – the rationale for using a one-year vesting period for the first third is threefold: i) all STIs were suspended for the EDs for FY20 and for all participants during FY21, ii) only half of FY22's STI is offered (via the CSP), iii) a staggered vesting period will assist the company in managing its cash flow over the short term. It was therefore felt that a shorter vesting period was warranted for the first third of the award. The second and final third will vest two and three years after the award but will upon vesting automatically be subjected to a holding period of two and one year respectively, meaning that the shares will be released four years after the award date subject to the affordability criteria being met. The rationale for the staggered vesting period is to manage free cash flow when the shares are purchased following vesting. The holding period means that the lock-in period is extended to four years, compared to the previous LTI where a three-year period was used.
Settlement condition	Vested awards will not automatically be settled. Settlement is subject to the satisfaction of an affordability measure. In the event that the value of the vested shares to be settled exceeds the affordability measure, only that pro rata portion up to the affordability measure will be settled. Any portion of the vested shares which have not been settled within 24 (twenty-four) months of the respective vesting dates shall lapse – this means the settlement condition can be satisfied over a period of 24 (twenty-four) months from the respective vesting dates by testing every 6 (six) months. The settlement condition is an affordability measure that will be considered by the Remcom in its discretion before the awards are settled.
Malus	Unvested awards may be reduced or cancelled resulting in forfeiture should a trigger event occur between the award and settlement date
Clawback	Depending on the timing of clawback, the participant may either i) forfeit, in full or in part, the vested shares if a trigger event is discovered during the holding period, or ii) be required to pay-back, in full or in part, the pre-tax market value of the shares as determined on the release date, if a trigger event is discovered subsequent to the end of the holding period.

Remuneration report continued

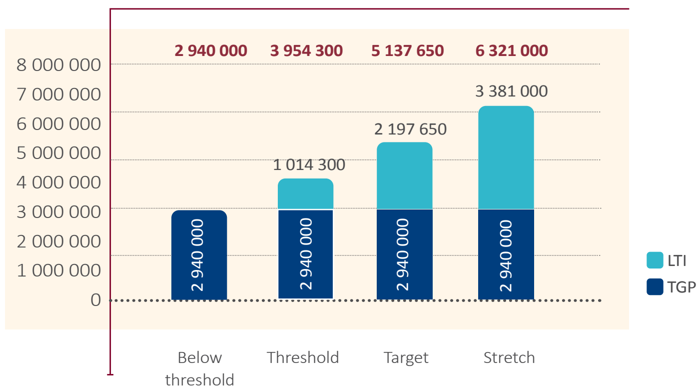
PAY FOR PERFORMANCE LINK AND PACKAGE DESIGN FOR EXECUTIVE DIRECTORS AND THE GROUP'S PRESCRIBED OFFICERS

In the graphs below we illustrate the potential remuneration outcomes of the FY22 remuneration policy under four different performance scenarios:

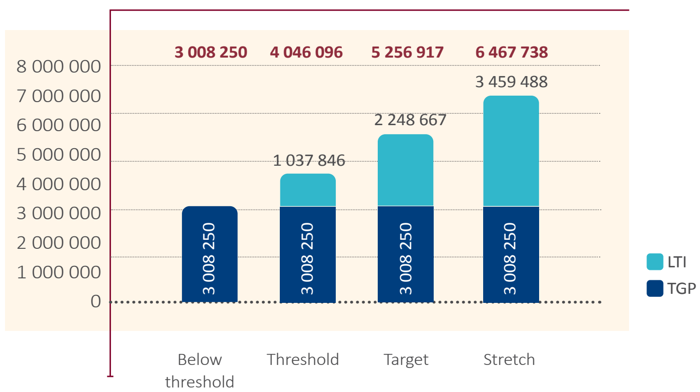
Andrew Widegger



Dhanisha Nathoo



Lindiwe Siddo



Notes: In preparing the graphs, the CSP allocation percentages of 115% of TGP were used and the respective vesting levels of threshold (30%), target (65%) and stretch (100%) were applied to these percentages.

Additional offerings for employees

Employee share ownership – City Lodge 10th Anniversary Employees' Share Trust (10th Anniversary Trust) and Injabulo Staff Share Scheme (Injabulo Trust)

10th Anniversary Trust

All employees not participating in the group's LTI plans and who, at the relevant date, being the first day of the month following that during which the company pays its final dividend, have been in the full-time employ of the company for at least 12 months, are eligible to participate in the 10th Anniversary Trust. The 10th Anniversary Trust holds approximately 0.46% of the group's issued share capital, which was acquired through an interest-free loan from the company, the details of which can be found in the directors' report.

The Injabulo Trust

The Injabulo Trust was established with the implementation of the group's black economic empowerment (B-BBEE) transaction, which was unwound during the reporting period, whereby the Vuwa SPV and the University of Johannesburg School for Tourism and Hospitality, together with the Staff Trust SPV acquired 15% of the group's issued share capital. The shares previously held by the Injabulo Trust, the sole shareholder of the Staff Trust SPV, amounting to 2.32% of the group's issued share capital were acquired by the company as part of the B-BBEE unwind and now constitute treasury shares. The note on page 137 provides more information in this regard.

Service contracts and notice periods

There are no contractual arrangements applicable to the appointments and termination of the EDs or Exco.

All employees are issued with a letter of appointment detailing their remuneration, as well as notice period, which is one month for all staff, except for general managers and head office managers where two months' notice applies and senior management, Exco and EDs where three months' notice applies.

Regarding the ED and Exco:

- save for in exceptional circumstances, no sign on, retention or restraint payments are made, save for in exceptional circumstances

- on early termination of employment:
  - there is no automatic entitlement to:
    - bonus
    - share-based payments
  - good leavers will be entitled to:
    - leave pay
    - pro-rated vesting of LTIs, if applicable.

Malus and clawback

All variable pay is subject to malus and clawback and will be applied as follows in the event that a trigger event is discovered:

Malus refers to the partial or total cancellation or lapse of unpaid or unvested incentives while clawback refers to the partial or total recoupment or repayment of paid or vested incentives. The application of the trigger events, detailed below, is within the discretion of the Remcom and the following events have been identified as trigger events:

- a material misstatement of the financial results, resulting in an adjustment in the audited consolidated accounts of the company or the audited accounts of any member of the group; and/or
- the fact that any information used to determine the quantum of variable remuneration was based on error, or inaccurate or misleading information; and/or
- action, events or conduct (including omissions) of a Participant which, in the reasonable opinion of the Board, amounts to grounds for termination of employment for gross misconduct or negligence, dishonesty or fraud. This includes conduct that led to or is likely to lead to significant reputational or financial harm to the group, censure of any company within the group or the group as a whole by a regulatory authority, material failure to oversee or supervise other employees, or breach of any material obligations owed to the group, including the group's code of conduct, ethics, or risk policies;
- the discovery that the assessment of any performance metric or criteria in respect of the determination of variable remuneration or the vesting thereof was based on error, or inaccurate or misleading information;
- the discovery that any information used in the decision to grant variable remuneration or determine the quantum thereof was erroneous, or inaccurate or misleading or any information emerges that was not considered at the time any variable remuneration was made which, in the discretion of the board (acting reasonably), would have resulted in an inappropriate benefit or would have materially affected the decision to allocate, make or grant the variable remuneration, whether at all or at the level at which such variable remuneration was made; and/or
- the Remcom, in its discretion, deems it necessary to apply malus and/or clawback.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Appointment and term

The appointment of directors is a matter for the board as a whole, assisted where appropriate by Remcom, and subject at all times to the approval of shareholders.

Board appointments are governed by the Companies Act, JSE Listings requirements, policy on the appointment to the board and gender diversity and the group's MoI, which provide for at least one-third of the NEDs to retire by rotation at the group's AGM. The directors so retiring may, if eligible, offer themselves for re-election. Termination of office may occur at retirement age, or alternatively will occur if a director is prohibited by law from being a director, fails to be re-elected, is found to be guilty of misconduct or fails to attend meetings without good reason, or poor performance.

NEDs do not:

- have service contracts, but are issued with letters of appointment detailing, among other things, their responsibilities; or
- participate in the group's STI and LTI schemes.

Fees and basis of remuneration

Fees payable to the NEDs are reviewed annually and are not linked to the group's share price or performance.

In recognition of their ongoing responsibilities and contribution outside of meetings, as well as historically good meeting attendance, NEDs receive an annual fee, not a base fee and fee per meeting attended. The same applies to sub-committees, with a premium being paid to the chairmen. The fee paid to the chairman of the board is inclusive of all board and committee attendances, as well as other responsibilities across the group.

Exceptional circumstances may present themselves which merit the establishment of an ad hoc sub-committee of the board to investigate and advise the full board on a matter and justify payment of fees in addition to those paid to NEDs for their services. In compliance with the Companies Act, the company would, without the prior approval of shareholders, not be able to remunerate the members of such ad hoc committee for the extraordinary services rendered. Accordingly provision is made for payment of such fees.

The fee structure is as far as possible aligned with the market, taking cognisance of the size and market capitalisation of the various companies included in the sample considered when determining fees payable, as well as macro-economic factors, consumer price index (CPI), the financial position of the company and additional responsibilities placed on board members by new legislation and corporate governance principles.

Based on management's recommendations, Remcom and in turn the board review and propose NED fees to shareholders at the AGM. Fees are:

- paid quarterly, in arrears, in cash; and
- pro-rated in line with the period served in the case of appointments or resignations during a financial year.

The fee structure, as approved by shareholders, remains in place for the financial year.

Expenses

Travel, hotel and other expenses reasonably and necessarily incurred on company business is covered by the company, subject to production of the appropriate supporting documentation in accordance with the travel policy.

Premiums for directors' and officers' insurance cover are also paid by the company.

Remuneration report continued

PART 3 – IMPLEMENTATION REPORT

GUARANTEED PAY REVIEW AND INCREASES

Guaranteed pay is reviewed annually taking the approved increase mandate, macro-economic factors and performance into account. Mandated increases take effect on 1 August.

Exco members are formally graded using the 21st Century Pay Solutions Execumeasure system (Execumeasure), as well as in terms of the Paterson grading model in an effort to ensure effective benchmarking.

The annual review of Exco's fixed remuneration, which takes place between May and July, is benchmarked to the market. In carrying out its mandate to promote fair and responsible remuneration, while taking into account the prolonged impact of the Covid-19 pandemic on the group's operations and as a result liquidity, Remcom for the second consecutive year commissioned a market trends report instead of the usual full benchmark report from 21st Century for purposes of informing decisions on not only executive pay, but across the board.

The board, having considered Remcom's recommendation, taking current circumstances, data received from 21st Century, the 0% increase effective 1 August 2020, ongoing salary reductions and affordability into consideration agreed to a 5% increase for all staff, with effect from 1 August 2021. The increase has to date been applied at the reduced salary levels implemented as a cost containment measure in April 2020.

ACHIEVEMENT OF STI OUTCOMES

Participation in the various STI schemes has been suspended and no STIs were paid to any employees during FY21.

LTI OUTCOMES AND AWARDS

LTIs awarded during FY21

No LTIs were awarded during the year.

LTIs vesting during FY21

2018 SAR Award

Following the non-achievement of the performance conditions imposed in respect of the 2018 grant, as confirmed by the Remcom, the 2018 SAR award did not vest. As mentioned above, all historic SAR awards have been cancelled (further details are also disclosed in the LTI tables below).

2018 RSP award

The RSP operates in conjunction with the STI and awards, to date, have no performance criteria other than the earning of a cash bonus, as measured against the defined performance criteria of the STI, and continued employment with the company. In total, 19 925 shares vested and were released to the 47 qualifying participants during the financial year.

EMPLOYEE SHARE OWNERSHIP – 10TH ANNIVERSARY SHARE TRUST

In total, 1 010 employees received a cash distribution of R557.00 from the 10th Anniversary Trust during the reporting period (Prior year: 944 employees received a cash distribution amounting to R1 567.80 and growth distribution of three shares).

TOTAL REMUNERATION OUTCOMES

The composition of remuneration outcomes during the 2021 financial year for the EDs (prescribed officers) are disclosed in the single figure of remuneration format below for 2020 and 2021.

2020

R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	LTI reflected[1,2]	Total single figure of remuneration
Alastair Dooley (resigned 9 March 2020)	1 778	–	21	181	1 980	–	1 980
Lindiwe Siddo	2 497	–	9	215	2 721	–	2 721
Dhanisha Nathoo (appointed 9 March 2020)	763	600	17	–	1 380	–	1 380
Andrew Widegger	5 054	–	32	641	5 727	–	5 727
	10 092	600	79	1 037	11 808	–	11 808

[1] The SARs granted on 1 September 2017 with performance period ended on 30 June 2020 are included in the LTIP reflected for 2020 at the intrinsic value of Rnil per share based on 0% of the awards vesting.
[2] No bonus shares were awarded in 2020 on the basis of performance for the 2020 financial year, and therefore not reflected for 2020.

2021

R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	LTI reflected[3,4]	Total single figure of remuneration
Lindiwe Siddo	**2 593**	**–**	**11**	**58**	**2 662**	**–**	**2 662**
Dhanisha Nathoo	**2 491**	**–**	**52**	**56**	**2 599**	**–**	**2 599**
Andrew Widegger	**5 447**	**–**	**45**	**115**	**5 607**	**–**	**5 607**
	10 531	**–**	**108**	**229**	**10 868**	**–**	**10 868**

[3] The SARs granted on 1 September 2018 with performance period ended on 30 June 2021 are included in the LTIP reflected for 2021 at the intrinsic value of Rnil per share based on 0% of the awards vesting.
[4] No bonus shares were awarded in 2021 on the basis of performance for the 2021 financial year, and therefore not reflected for 2020.

Remuneration report continued

SCHEDULE OF UNVESTED AWARDS AND CASH FLOW ON SETTLEMENT

	2020						
Name	Opening number on 1 July 2019 Number of awards	Granted during 2020 Number of awards	Forfeited/ lapsed during 2020 Number of awards	Exercised/ settled during 2020 Number of awards	Closing number on 30 June 2020 Number of awards	Cash value received during the year[9] ZAR	Closing Fair Value at 30 June 2020[10,11,12,13,14,15] ZAR
Executive directors							
Andrew Widegger							
Share appreciation rights[5]							
2012/09/01	62 110	–	(62 110)	–	–	–	–
2013/09/01	26 136	–	–	–	26 136	–	–
2014/09/01[6]	27 359	–	–	–	27 359	–	–
2016/09/01[7]	23 633	–	(23 633)	–	–	–	–
2017/09/01[8]	30 245	–	–	–	30 245	–	–
2018/09/01	45 360	–	–	–	45 360	–	39 314
2019/09/01	–	39 324	–	–	39 324	–	153 040
Restricted share plan – bonus shares[5]							
2015/09/04	–	–	–	–	–	–	–
2016/09/05	7 902	–	–	(7 902)	–	658 790	–
2017/09/15	4 882	–	–	–	4 882	14 158	129 669
2018/09/14	2 509	–	–	–	2 509	7 276	66 640
2019/09/18	–	7 204	–	–	7 204	11 022	191 334
Total						691 246	579 997
Lindiwe Siddo							
Share appreciation rights[5]							
2016/09/01[7]	8 136	–	(8 136)	–	–	–	–
2017/09/01[8]	5 535	–	–	–	5 535	–	–
2018/09/01	18 360	–	–	–	18 360	–	15 913
2019/09/01	–	19 696	–	–	19 696	–	76 654
Restricted share plan – bonus shares[5]							
2016/09/05	595	–	–	(595)	–	49 605	–
2017/09/15	957	–	–	–	957	2 775	25 418
2018/09/14	693	–	–	–	693	2 010	18 406
2019/09/18	–	2 693	–	–	2 693	4 120	71 529
Total						58 510	207 920

5 Vesting will be assessed three years from the grant of the awards.
6 The SARs granted on 1 September 2014 vested during the 2018 financial year.
7 The SARs granted on 1 September 2016 lapsed during the 2020 financial year due to the performance conditions not being met.
8 The SARs granted on 1 September 2017 lapsed during the 2021 financial year due to the performance conditions not being met.
9 The cash value received includes the value participants receive on the vesting/exercise of awards as well as dividends received on outstanding awards.
10 The SARs granted on 1 September 2013 to 2014 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.
11 The SARs granted on 1 September 2016 are included at an intrinsic value of Rnil per instrument based on 0% of performance conditions being met.
12 The SARs granted on 1 September 2017 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met
13 The SARs granted on 1 September 2018 are included at an estimated fair value based on an indictive valuation at R0.87 per instrument which includes an estimate of 50% of performance conditions being met.
14 The SARs granted on 1 September 2019 are included at an estimated fair value based on an indictive valuation at R3.89 per instrument which includes an estimate of 100% of performance conditions being met.
15 The restricted bonus shares granted in 2016, 2017 and 2018 are included at the 20-day VWAP of R26.56 at year end and an estimated 100% vesting.
16 The SARs granted on 1 September 2014 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions being met.
17 The SARs granted on 1 September 2017 are included at an intrinsic value of Rnil per instrument based on 0% of performance conditions being met.
18 The SARs granted on 1 September 2018 - 2019 are included at an intrinsic value of Rnil per instrument which includes an estimate of 0% of performance conditions
19 The restricted bonus shares granted in 2018 and 2019 are included at the 20-day VWAP of R3.90 at year end and an estimated 100% vesting.

2021					
Granted during 2021 Number of awards	Forfeited/ lapsed during 2021 Number of awards	Exercised/ settled during 2021 Number of awards	Closing number on 30 June 2021 Number of awards	Cash value received during the year[9] ZAR	Closing Fair Value at 30 June 2021[16,17,18,19] ZAR
–	–	–	–	–	–
–	(26 136)	–	–	–	–
–	–	–	27 359	–	–
–	–	–	–	–	–
–	(30 245)	–	–	–	–
–	–	–	45 360	–	–
–	–	–	39 324	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	(4 882)	–	13 084	–
–	–	–	2 509	–	9 776
–	–	–	7 204	–	28 070
				13 084	37 846
–	–	–	–	–	–
–	(5 535)	–	–	–	–
–	–	–	18 360	–	–
–	–	–	19 696	–	–
–	–	–	–		–
–		(957)	–	2 565	–
	–	–	693	–	2 700
	–	–	2 693	–	10 494
				2 565	13 194

Dhanisha Nathoo, CFO, was appointed on 9 March 2020 and with the suspension of the STI and LTI for the financial year 2021 has not been awarded any SARs or restricted bonus shares.

GROUP AT A GLANCE
LEADERSHIP REVIEW
STRATEGIC REVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS

Remuneration report continued

NON-EXECUTIVE DIRECTORS

(Refer to special resolution number 1 in the notice of AGM, detailing NED fees.)

The fees currently paid, as approved by shareholders at the AGM held on 11 December 2020, together with the proposed fees for FY22, are detailed hereunder.

	1 July 2020 per annum (R)	1 July 2021 per annum* (R)	(%)
Chairman	1 060 000	**1 113 000**	**5.0**
Deputy chairman	343 000	**360 150**	**5.0**
Services as a director	262 000	**275 100**	**5.0**
Chairman of audit committee	184 000	**193 200**	**5.0**
Other audit committee members	84 500	**88 725**	**5.0**
Chairman of remuneration and nominations committee	162 000	**170 100**	**5.0**
Other remuneration and nominations committee members	73 000	**76 650**	**5.0**
Chairman of risk committee	126 000	**132 300**	**5.0**
Other risk committee members	57 500	**60 375**	**5.0**
Chairman of social and ethics committee	83 000	**87 150**	**5.0**
Other members of the social and ethics committee	–	**40 000**	**new**
Ad hoc committee	2 100 per hour capped at 40 000	**2 205 per hour capped at 60 000**	**5.0**
	2 435 000	**2 556 750**	**5.0**

** The proposed fees exclude VAT, which is authorised to be paid in addition to the above fees to qualifying non-executive directors.*

STATEMENT OF COMPLIANCE

Remcom, having considered the principles and guidelines detailed in the remuneration policy, is satisfied that:

- there has been no material deviation in the application of the policy during the year under review; and
- any adjustments that have had to be effected as a result of Covid-19 have been in line with the policy framework, and having reviewed the report, including details relating to ED emoluments, confirms its inclusion in the IR.

VOTING ON IMPLEMENTATION REPORT

This report is subject to an advisory non-binding vote by shareholders at the 2021 AGM scheduled for 25 November 2021. Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 3 of this report.

APPROVAL OF REMUNERATION REPORT BY THE BOARD OF DIRECTORS

This remuneration report was approved by the board of directors of City Lodge Hotels Limited on 28 October 2021.

Social and ethics committee report

The social and ethics committee (SEC) operates in accordance with a board-approved mandate and assists the board with monitoring, developing, reviewing and improving the group's social, ethical and sustainability practices. In addition to its statutory responsibilities, the board assumes responsibility for ensuring that the group's ethics are effectively managed, which it does through exercising ethical leadership, integrity and judgement in the manner in which it directs the company. Employees, in turn, are expected to act in a manner that upholds the group's values as contained in the group's code of ethics and business conduct (the code). The code details expected standards of behaviour and is provided to all directors and employees at the commencement of their employment with the company.

This report outlines how the SEC has discharged its responsibilities as set out in section 72 of the Companies Act, regulation 43 of the Companies Regulations 2011 issued in terms of the Companies Act and its terms of reference. Attendance at meetings is reflected on page 71 and fees paid to members during the year, as well those proposed for 2021/2022, are set out on page 98. Progress in regard to matters falling within the committee's mandate, over and above what is reported below, is covered on pages 52 to 65 and 77.

COMPOSITION

The three-member committee is chaired by an independent non-executive director who is supported, in discharging the committee's responsibilities, by two EDs. While the committee complies with the Companies Act's requirements regarding its constitution, it does not meet the King IV™ recommendation for a majority of the committee members to be non-executive directors. Board and committee composition has, however, been reviewed post-year end, including that of the SEC, and subject to the successful election of Mr Kgosana as proposed in the notice of AGM. The committee will comprise four members, two of whom are independent non-executives and two EDs.

The group company secretary and representatives from the various functions responsible for managing the subject matter falling within the remit of the SEC assist the committee in the discharge of its responsibilities.

ROLE AND RESPONSIBILITIES

While the committee's primary responsibility is to ensure the group is and remains a responsible corporate citizen and engages in sustainable business practices, its role and responsibilities in respect of the group's South African operations extend to:

- compliance;
- social and economic development;
- good corporate citizenship;
- issues around the environment, health and public safety, including the impact of the group's activities and services;
- consumer relationships;
- management of the group's ethics;
- labour and employment, including transformation; and
- reporting annually to shareholders on matters falling within the scope of its responsibilities.

MEETINGS AND ACTIVITIES

The primary focus of the two meetings held during the year was to consider:

- Socio-economic development, including the group's standing in terms of:
  - The 10 principles set out in the United Nations Global Compact Principles
    The group has adopted the 10 principles and monitors and reports on compliance with human rights, labour, anti-corruption and environmental matters, despite not being a signatory to the compact.
  - Human rights
    The group remains committed to protecting and upholding human rights as far as it is able to exercise control over such. It subscribes to and supports 'the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism', a compact between members of the international tourism industry that deals with the awareness of its staff with regard to issues and circumstances prevalent in the practices of human trafficking and child sex tourism.
    The group is not complicit in human rights' abuses. It does not vet its suppliers in this regard on the basis that it does not believe doing so is necessary in the context of its operations and profile of suppliers.
  - Freedom of association
    The group recognises the right to freedom of association, as well as the right to collective bargaining, and continues to recognise and bargain with the South African Commercial, Catering and Allied Workers Union. All staff (up to supervisory level) in the deemed 'bargaining unit' may belong to the union from a bargaining perspective. While any other level of staff member may belong to the union, they are not covered by any bargaining gains made by the union.
  - Forced or compulsory labour
    The group supports the elimination of all forms of forced or compulsory labour and has no exposure to such practices. Suppliers are not vetted in this regard as the group is of the opinion that this is not necessary in the context of its operations and the profile of its suppliers.
  - Abolition of child labour
    The group demonstrates its support for the abolition of child labour by ensuring that no minors are employed. It is a condition of employment that all employees provide proof of age upon commencement of employment.
  - The Organisation for Economic Co-operation and Development's recommendations regarding corruption
    Activities associated with good corporate citizenship, including the group's positioning and efforts with regard to promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution towards community development in the areas within which the company operates and record of sponsorship, donations and charitable giving.

Details on sponsorships, donations and charitable giving can be found on page 62.

Social and ethics committee report continued

- Reviewing its terms of reference to ensure they remain aligned with King IV™, legislation and best practice.
- The group's labour and employment practices, including its standing in terms of the International Labour Organization Protocol on decent work and working conditions, and its employment relationships and contribution toward employee educational development.
- Progress made with regard to transformation, taking the Employment Equity and B-BBEE Acts into account. The company achieved level 4 B-BBEE recognition in its previous verification which was valid until September 2021. The current verification was well underway at publication of this report.

- The group's compliance with applicable legislation, regulation and Codes of Good Practice, noting that no instances of substantive non-compliance were reported during the year.
- Environmental sustainability practices, in particular three of the UN Global Compact Principles relating to supporting a precautionary approach to environmental challenges and supporting greater environmentally friendly technologies.
- Consumer relationships, including advertising and public relations and stakeholder engagement. It is specifically noted that no complaints were lodged with the Consumer Tribunal or the Advertising Standards Authority during the year. Consumer relations and service excellence, through the WOW service excellence and employee recognition programme.
- Ethics, noting that no incidents or acts indicating a material breach in the required standard of ethical behaviour were reported to the committee during the period under review.

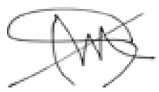
It is to be noted regarding the above that:

- no material or repeated penalties, sanctions and/or fines for contraventions of, or non-compliance with, statutory obligations were imposed on the company or its directors for failure to comply with any legislative or regulatory requirement
- no compliance inspections were carried out by environmental regulators nor were any findings of non-compliance with environmental laws or criminal sanctions for non-compliance imposed on the company
- no political donations were made during the year
- no requests for information under the Promotion of Access to Information Act were received during the year under review.

Efforts for the year going forward will, in recognition of the increased significance of environment, social and governance (ESG), be centred around detailed consideration of ESG metrics, prioritising actions required and reporting in respect thereof, aimed at delivering sustainable value.

The SEC is of the view that the group takes its ESG responsibilities seriously and that appropriate policies, plans and programmes have been put in place to contribute to social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

Based on its monitoring activities, the SEC is satisfied that the group is addressing the matters required to be monitored as detailed in its mandate in the appropriate manner and that it has effectively discharged its responsibilities.



Dr Sizakele Marutlulle
Chairman of the social and ethics committee

28 October 2021

Contents

These annual financial statements were published on 28 October 2021, were audited in compliance with the requirements of the Companies Act, 71 of 2008, and prepared under the supervision of the chief financial officer, Dhanisha Nathoo CA(SA).

Directors' responsibility statement

for the year ended 30 June 2021

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of City Lodge Hotels Limited (the group and company), set out on pages 113 to 156, which comprise the statements of financial position as at 30 June 2021, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, the accounting policies, notes to the financial statements and the segment analysis, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 71 of 2008 (Companies Act). In addition, the directors are responsible for preparing the directors' report.

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

The directors confirm that the group is:

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

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

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

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of City Lodge Hotels Limited, as set out on pages 113 to 156, were approved by the board of directors on 28 October 2021 and signed on its behalf by:

Andrew Widegger
Chief executive officer

Dhanisha Nathoo
Chief financial officer

Certificate by the company secretary

I, the undersigned, in my capacity as company secretary, hereby confirm to the best of my knowledge and belief that, in terms of the Companies Act, for the financial year ended 30 June 2021, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all returns and notices prescribed by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Melanie van Heerden
Company secretary

28 October 2021

Chief executive officer and chief financial officer's statement

for the year ended 30 June 2021

The directors whose names are stated below hereby confirm that:

(i) the consolidated and separate annual financial statements set out on pages 113 to 156, fairly present in all material respects the financial position, financial performance and cash flows of City Lodge Hotels Limited and its subsidiaries in terms of IFRS

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

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

(iv) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to City Lodge Hotels Limited's audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Andrew Widegger
Chief executive officer

Dhanisha Nathoo
Chief financial officer

Report of the audit committee

for the year ended 30 June 2021

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

MEMBERSHIP

The committee comprises Stuart Morris (chairman), Deon Huysamer, Frank Kilbourn and 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 five 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 72 and 74 of this IR.

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 2021 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.

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.

The audit committee, after following a comprehensive tender process, has recommended the appointment of PricewaterhouseCoopers Inc. (PwC) as the external auditors of the Company.

The change in external auditors was initiated by the company's decision to early adopt the mandatory audit firm rotation rule, whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years, with effect from 1 April 2023. The appointment of PwC will be put to shareholders at the annual general meeting of the company to be held on or about Thursday, 25 November 2021.

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 group and company and has concluded that the group and company satisfy the test, on the basis of the continued availability of borrowing facilities and the completion of the sale of the East Africa subsidiaries.

INTEGRATED REPORTING

The IR comprises the:

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

Following our review, and having regard to all material factors and risks that may impact the integrity of the IR, we accordingly recommend the IR and group financial statements of City Lodge Hotels Limited for the year ended 30 June 2021 to the board of directors for approval on 28 October 2021.

Stuart Morris
Chairman of the audit committee

28 October 2021

Directors' report

for the year ended 30 June 2021

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the group for the year are set out in the consolidated financial statements and accompanying notes thereto. Group loss before taxation for the year amounted to R901.6 million (2020 loss before tax: R582.7 million) while consolidated loss in headline earnings of R455.2 million (-90.9 cents per share, diluted) compared with loss in headline earnings of R142.1 million (restated -128.4 cents per share, diluted) for the previous year. Net asset value per share decreased to 164 cents from 1 550 cents in the prior year. Net tangible asset value per share, also decreased in the current year to 157 cents (2020: 1 393 cents).

The company's interest in its subsidiaries' loss after taxation amounted to R258.3 million (2020: R268.6 million).

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 matters or circumstances arising since the reporting date.

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 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 the group's 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 and break-even. 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). The group's 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 the 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.

Directors' report continued

for the year ended 30 June 2021

- 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, applicable from June 2021, and liquidity thresholds measured quarterly. The group met the loan to value covenants in June 2021, and 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 have satisfied themselves that the company and its subsidiaries are in a sound financial position and that they have access to sufficient cash and borrowing facilities to meet their foreseeable cash requirements.

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

OTHER SIGNIFICANT TRANSACTIONS

Rights offer

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 R1.2 billion.

Interest-bearing borrowings

During the year the group settled R250 million of its outstanding interest-bearing borrowings of R750 million as at 30 June 2020, and R30 million of the new bridging loan to completion of rights offer, from the proceeds of the rights offer. In addition, the group negotiated additional facilities of R300 million during the year. The total interest-bearing borrowing facilities available to the group are R800 million, of which R650 million has been utilised by the 30 June 2021. Further details are included in note 14.

B-BBEE liability settlement

A significant portion of the proceeds from the rights offer was used by the group to settle its broad-based black economic empowerment (B-BBEE) debt through the redemption of the B-BBEE preference shares and settlement of accrued preference dividends, term loans and interest accrued totalling R770.9 million in December 2020.

DIVIDENDS

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 respect of the year ended 30 June 2021. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

STATED CAPITAL

Ordinary par value shares of 10c each, were converted to no par value shares in July 2021. Shareholders also approved the increase in the company's authorised but unissued share capital by a further 9 950 000 000 City Lodge Shares for the purposes of the rights offer. The rights offer completed in August 2020, and resulted in the additional issue of 566 460 609 no par value shares to shareholders.

Further details are included in note 11.

THE CITY LODGE 10TH ANNIVERSARY EMPLOYEES' SHARE TRUST

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

The following distributions were made in terms of the scheme:

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

During the rights offer, the scheme received 13 rights for each of the 506 124 shares held. 4 264 261 of these rights were sold, to fund the exercise of the remaining 2 315 351 rights. This has resulted in a total of 2 821 475 shares held by the share scheme.

In applying IFRS 9 *Financial Instruments: Recognition and Measurement,* the carrying amount of the loan in the company is R9.9 million based on impairment adjustment to the closing share price at year-end (2020: R12.0 million).

SUBSIDIARIES

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

DIRECTORATE

The directors in office during the year under review were: Dhanisha Nathoo, Deon Huysamer, Frank Kilbourn, Dr. Sizakele Marutlulle, Ndumi Medupe, Stuart Morris, Bulelani Ngcuka (chairman), Vincent Rague, Lindiwe Siddo, Andrew Widegger and Stephen Enderle (appointed 1 April 2021).

In terms of the memorandum of incorporation, Stephen Enderle, Dr Sizakele Marutlulle and Stuart Morris will retire at the forthcoming annual general meeting but are eligible and available for re-election. Vincent Rague who will also be retiring by rotation and, although eligible, has not made himself available for re-election.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

No material contracts in which the directors were involved, were entered into during the year under review. Refer to note 22 of the consolidated financial statements for details of the group's executive managements compensation.

COMPANY SECRETARY

Mrs MC van Heerden
City Lodge Hotels Limited
The Lodge, Bryanston Gate Office Park
Corner Homestead Avenue and Main Road
Bryanston
Johannesburg, 2191
(PO Box 97, Cramerview, 2060)

EXTERNAL AUDITORS

KPMG Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa until the forthcoming annual general meeting, when the appointment of PwC will be put to the shareholders.

DIRECTORS' INTERESTS

Directors' interests have increased from the prior year reporting date, as directors who owned shares at the record date exercised their rights for additional shares during the rights offer, which completed on 21 August 2020.

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

	Beneficial			
	Direct		Indirect	
	2021	**2020**	**2021**	**2020**
Deon Huysamer	**–**	–	**–**	–
Frank Kilbourn[Δ]	**238 000**	17 000	**218 162**	15 583
Dr Sizakele Marutlulle	**–**	–	**–**	–
Ndumi Medupe	**–**	–	**–**	–
Stuart Morris	**–**	–	**–**	–
Bulelani Ngcuka*	**–**	–	**246**	444 521
Vincent Rague	**–**	–	**–**	–
Lindiwe Siddo	**65 520**	4 680	**–**	–
Dhanisha Nathoo	**–**	–	**–**	–
Andrew Widegger	**3 030 958**	216 497	**–**	–
Stephen Enderle (appointed 1 April 2021)	**900 000**	–	**55 675 897**[∞]	–
Total	**4 234 478**	238 177	**55 894 305**	460 104

* *Bulelani Ngcuka's indirect shareholding reflects his proportionate share of the 14 157 779 (2020: 2 556 185) shares owned by Vuwa Investments Proprietary Limited, following the indirect share repurchase by City Lodge Hotels Limited for the majority shares in Vuwa Hotels RF (Pty) Ltd in December 2020.*
Δ *Frank Kilbourn's direct holding and 75 362 of his indirect holding is pledged as security for a facility. The balance of the indirect holding is unencumbered.*
∞ *Stephen Enderle indirectly holds shares through Enderle SA (Proprietary) Limited and associates.*

Directors were interested in nil (2020: nil) options to acquire ordinary shares in the company at 30 June 2021 under the executive share incentive scheme. This scheme has been replaced by the share appreciation rights scheme, the deferred bonus plan and the restricted share plan. Details of awards held by individual directors are included in note 22.

No material changes in directors' interests have taken place between the reporting date and the date of issue of this IR.

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Independent auditor's report

To the shareholders of City Lodge Hotels Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of City Lodge Hotels Limited (the Group and Company) set out on pages 113 to 156, which comprise the statements of financial position as at 30 June 2021, and the statements of comprehensive income, the statements of changes in cash flows and the statements of equity for the year then ended, accounting policies, notes to the financial statements and segment analysis.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of City Lodge Hotels Limited as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Revenue from contracts with customers
(applicable to the consolidated and separate financial statements)

Refer to note 20 as well as revenue recognition accounting policy on page 118

Key audit matter	How the matter was addressed in our audit
The business of providing accommodation, food and beverage and ancillary services results in high volume of transactions and controls are consequently important to ensure the appropriate recognition of revenue. Revenue is a key performance measure which would create an incentive for revenue to be recognised before the performance obligations have been fulfilled in terms of the recognition requirements of IFRS 15, Revenue from Contracts with Customers (IFRS 15). Revenue for the year for accommodation, food and beverage and ancillary services amounts to R508 million for the group and R470 million for the company. Due to the risk associated with the recognition of revenue from contracts with customers and the significant work required from the audit team, revenue recognition was considered to be a key audit matter in our audit of the consolidated and separate financial statements.	Our audit work included the following: • We performed predictive analytical procedures over the accommodation, food and beverage revenue streams and compared our expectations to the actual revenue recorded and where the differences were outside our expected ranges, we investigated these differences; • For a sample of revenue transactions selected close to year end and after year end, we inspected source documents to ensure the transactions were recorded in the correct period; • We vouched a sample of revenue transactions which had not been settled by year end to subsequent receipts from customers or registration cards to verify the appropriateness of the revenue recognised; • We tested a sample of revenue transactions throughout the year by agreeing a sample of invoices to receipts from customers or registration cards to verify the appropriateness of the revenue recorded; and • We evaluated the appropriateness of the disclosures in the financial statements as well as the accounting policies to ensure they are in line with IFRS 15.

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

Refer to note 1, 2 and 3 as well as the property, plant and equipment, leases and goodwill accounting policies on pages 114,115 and 116

Key audit matter	How the matter was addressed in our audit
The group and the company have property, plant and equipment ("PPE"), which comprises primarily of hotel buildings (and its contents), right-of-use assets relating to leases for hotels in the countries the group and company operate in as well as goodwill relating to the business acquired. As at 30 June 2021 the group's and company's carrying amount of PPE amounted to R2 032 million and R1 240 million respectively after recognition of an impairment loss of R390 million and R27 million respectively. As at that date, the group's and company's carrying amount relating to right-of-use assets amounted to R1 052 million and R933 million respectively after recognition of an impairment reversal of R49 million and R22 million respectively. The group's and company's carrying amount of goodwill as at 30 June 2021 amounts to R9.0 million after recognition of an impairment loss of R10.6 million. Due to the significant prolonged impact Covid-19 has had on the group and company's operations, as hotels were re-opened or temporary closed due to the various changes in lockdown restrictions implemented in each of the countries where the group and company operates, an impairment assessment was required to be performed for the PPE and right-of-use assets. The impairment assessment included the annual impairment assessment of goodwill. Determining the recoverable amount for each hotel requires management to make significant assumptions regarding revenue growth, terminal growth rates and discount rates applied to future cash flows and also the fair value less costs to sell of hotels where the carrying amount could be recoverable through sale rather than through use. Given the complexities involved and the judgments applied, the assessment of these assets for impairment was considered to be a key audit matter.	Our audit work included the following: • Based on our understanding, we assessed whether the individual hotels comprised individual cash generating units (CGU's); • We evaluated whether the model used by the directors to determine the value in use of the individual CGUs, complied with the requirements of IAS 36 – Impairment of Assets (IAS 36). • We engaged our valuation specialists to review the principles of the models and assumptions used to determine the discount rates, terminal growth rates and forecast cash flows. • We challenged the future projected cash flows, including the revenue, operating results and terminal growth rates to determine whether they were reasonable and supportable, given the current macro-economic climate and expected future performance of the CGUs. Historical performance was used to assess reasonableness of the forecasts where the occupancy and trading levels are assumed to return to pre-Covid-19 levels. • We compared the key assumptions to sensitivity analyses to determine the impact on the carrying amounts. • For newer hotels and hotels where the carrying amount could not be recovered through use, we assessed the appropriateness of the fair value less cost to sell with reference to recent comparable sales transactions for similar assets. • We evaluated the appropriateness of disclosures in the financial statements as well as the accounting policies to ensure they are in line with the requirements of IAS 36.

Independent auditor's report continued

To the shareholders of City Lodge Hotels Limited

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

Refer to note 35

Key audit matter	How the matter was addressed in our audit
The continued impact of Covid-19 has resulted in a delay for the economy to recover. This delay, as well as the resurgent waves of infections and success of the roll out of government's vaccination programs, has had an impact on the projection of future cash flows of the group and company. Assessing the impact of Covid-19 on the appropriateness of the going concern assumption used in the preparation of the consolidated and separate financial statements required considerable focus and time by management, the directors and auditors. Excluding assets held for sale and liabilities directly associated with assets held for sale, current liabilities exceed current assets by R130 million and R267 million for the group and company respectively as at 30 June 2021. As at 30 June 2021, the original loan covenants have been waived until 30 September 2022. Subsequent to year end, the company negotiated an additional loan facility of R100 million with the group's bankers as well as the extension of repayment terms. In obtaining this additional loan facility, a new loan to value covenant and liquidity threshold has been introduced by the group's banker which management has estimated will be met on a quarterly basis. Subsequent to year end, management finalised the sale of the East Africa hotels for a total consideration of R460 million, subject to the fulfilment of customary conditions as disclosed in note 34. The directors have considered whether developments subsequent to the reporting date have any implications on the adoption of the going concern assumption by evaluating the impact the current uncertainties have on the group's and company's capital and liquidity position. The directors have concluded that the going concern basis of accounting is appropriate and in reaching their conclusions, have taken into consideration the latest available information, including assumptions and judgements about forward-looking economic scenarios. The judgements applied by the directors in reaching their going concern conclusion are disclosed in note 35 to the consolidated and separate financial statements. Concluding on the appropriateness of the use of the going concern assumption, including assessing whether a material uncertainty exists related to going concern, was considered to be a key audit matter in our audit of the consolidated and separate financial statements.	Our audit work included the following: We considered the impact of Covid-19 on the overall recovery of the economy and on the group and company when assessing the future cash flows and judgements applied in concluding on the going concern assumption. In evaluating the director's judgements in determining whether there are any material uncertainties which may cast significant doubt on the group's and company's ability to continue as going concerns, the following was performed: • We assessed the operational disruptions resulting from the Covid-19 pandemic and the resulting lockdown in various jurisdictions in which the group and company operate and understood the actions taken by management and the directors to mitigate the impact of the Covid-19 pandemic and lockdown on the group and company's operations. • We assessed the reliability of the directors' cash flow forecasts for the 12 months from date of approval of these consolidated and separate financial statements and critically challenged the key inputs into these forecasts including the following: – amount of, and availability of financing facilities, including inspecting the arrangement in respect of the additional loan facility secured subsequent to year end of R100 million; – inspecting revised loan agreement confirming the waiver of original loan covenants until 30 September 2022; – assessment of compliance with revised banking covenants in future; – assessment of the planned application of the proceeds of the sale of East Africa operations as well as inspecting sale agreements that were concluded subsequent to year end; – assessment of the reasonableness of projected monthly revenue and monthly cash collections based on the expected room occupancies rates; and – assessment of the reasonableness of ability to maintain the cost containment measures that are in place. We evaluated the appropriateness of the disclosures in note 34 and 35 to the consolidated and separate financial statements in line with the requirements of IAS 1, Preparation of Financial Statements (IAS 1).

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "City Lodge Hotel Group Integrated Report 2021", which includes the Directors' report, the Report of the audit committee and the Certificate by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

Independent auditor's report continued

To the shareholders of City Lodge Hotels Limited

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of City Lodge Hotels Limited for 35 years.

KPMG Inc.
Registered Auditor

Per DD Thompson
Chartered Accountant (SA)

Registered Auditor
Director
28 October 2021

KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

Accounting policies

for the year ended 30 June 2021

REPORTING ENTITIES

City Lodge Hotels Limited (the company) is a company domiciled in South Africa. The group financial statements as at and for the year ended 30 June 2021 comprise the company and its subsidiaries (together referred to as the group).

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

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

BASIS OF PREPARATION

Functional and presentation currency

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

Basis of measurement

These financial statements are prepared on the historical cost basis.

Statement of compliance

The group and company financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board, the Listings Requirements of JSE Limited, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. These group and company financial statements were authorised for issue by the board of directors on 28 October 2021.

SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards adopted by the group

The group adopted all the new revised or amended accounting pronouncements as issued by the IASB which were effective from 1 July 2020, which have had no material impact on the financial statements.

Significant judgements and estimates

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

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

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

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

Leases

Determining the respective discount rate

Management has considered the group's incremental borrowing rate as the base rate. The discount applied to the lease commitments range from 6.6% to 7.2% (2020 – 9.125%).

Determining the lease terms

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

Measurement of deferred tax assets and liabilities

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

Impairment of property, plant and equipment and right-of-use assets

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

Accounting policies continued

for the year ended 30 June 2021

Impairment of goodwill

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

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continued to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held-for-sale assets and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Basis of consolidation and business combinations

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

Consolidation

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

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

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

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

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

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

Foreign transactions and balances

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

Foreign subsidiaries – translation

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

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

Structured entities

The group established a number of structured entities for the purposes of the B-BBEE transaction in 2008. The group did not have any direct or indirect shareholdings in these entities. The group guaranteed the funding of the structured entities and as such it was deemed to control these structured entities resulting in the incorporation of the structured entities into the company and group financial statements.

In December 2020, the company acquired 99,99% of the B-BBEE structured entities to fund the repayment of the debt. The structured entities have therefore been derecognised from incorporation in the company, and are recognised as investments in subsidiaries by the company.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

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

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

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

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

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

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

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

Leases

As a lessee

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

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

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

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

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

The group has no residual value guarantees.

Accounting policies continued

for the year ended 30 June 2021

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

Where the group reassesses the terms of any lease (ie it reassesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the standalone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the day of the reassessment or modification.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced due to any further reduction in the measurement of the lease liability it is recognised in profit or loss.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a standalone price for the increased scope, the group accounts for the modifications as a separate new lease. This accounting treatment equally applies to leases for which the group elected the short-term lease exemption, and when the lease terms are subsequently modified.

Intangible assets

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

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

Software development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, software development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

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

The estimated useful lives are as follows:

Software development costs	Five to 10 years

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

Impairments

Non-financial assets

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

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

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

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

Pre-opening expenses

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

Asset replacement reserve

Asset replacement reserve relates to advances to the Courtyards for future capital expenditure for refurbishments and redevelopments, and are capitalised as the costs are incurred.

Inventories

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

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

Taxation

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

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

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

Deferred taxation is not recognised for the following temporary differences:

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

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

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

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

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

Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

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

Impairment

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

Cash and cash equivalents

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

Accounting policies continued

for the year ended 30 June 2021

Non-derivative financial liabilities

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

Financial liabilities are classified as at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Derecognition

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

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

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

Offset

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

Stated capital and equity

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

Treasury shares

Ordinary shares held by the former B-BBEE structured entities are treated as treasury shares in the group. Long-term incentive scheme shares for employees are treated as treasury shares.

Preference shares

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

Provisions

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

Revenue from contracts with customers

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

The group recognises revenue from the following major sources:

- Accommodation
- Food and beverage
- Other revenue

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

Accommodation – the performance obligation is met when the accommodation service is consumed. Therefore, revenue is recognised at a point in time.

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

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

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

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

Interest income and expense

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

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

Employee benefits

Short-term employee benefits

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

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

Retirement benefits

Defined-contribution plans

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

Share-based payment transactions

The share incentive schemes allow certain employees to acquire shares of the company.

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

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

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

Earnings per share

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

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

Headline earnings per share is calculated in terms of circular 1/2021, and previous years have been calculated in terms of circular 1/2019.

Operating segments

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

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

Statements of financial position

as at 30 June 2021

		GROUP		COMPANY	
R000	Note	2021	2020	2021	2020
Assets					
Non-current assets		**2 739 988**	3 617 316	**2 508 422**	2 700 988
Property, plant and equipment	1	**1 671 924**	2 509 752	**1 239 854**	1 279 400
Right-of-use assets	2	**998 262**	985 014	**932 979**	874 775
Intangible assets and goodwill	3	**39 900**	57 422	**39 900**	56 641
Interest in subsidiaries	4.1	**–**	–	**222 186**	386 552
Loan to subsidiary	4.2	**–**	–	**62 800**	62 800
Investments		**800**	800	**800**	800
Other investments	9	**–**	7 900	**–**	–
Loan receivable	5	**–**	–	**9 903**	40 020
Deferred taxation	6	**29 102**	56 428	**–**	–
Current assets		**613 494**	241 088	**144 097**	149 850
Inventories	7	**3 296**	5 540	**3 141**	2 601
Trade receivables	31.4	**17 586**	18 877	**16 510**	18 733
Other receivables	8	**95 639**	137 602	**87 565**	91 635
Taxation receivable		**37 531**	42 756	**36 881**	36 881
Other investments	9	**–**	7 900	**–**	–
Cash and cash equivalents		**5 477**	28 413	**–**	–
		159 529	241 088	**144 097**	149 850
Assets held for sale	10	**453 965**	–	**–**	–
Total assets		**3 353 482**	3 858 404	**2 652 519**	2 850 838
Equity					
Capital and reserves		**936 357**	568 316	**984 398**	439 587
Stated capital	11	**1 324 717**	179 503	**1 324 717**	179 503
Treasury shares[1]	12	**(510 928)**	(514 381)	**(6 199)**	(495 703)
Other reserves	13	**112 611**	190 511	**55 267**	113 262
Retained earnings		**9 957**	712 683	**(389 387)**	642 525
Liabilities					
Non-current liabilities		**2 043 884**	2 260 101	**1 256 556**	1 276 904
Interest-bearing borrowings	14	**650 000**	750 000	**–**	–
Lease liabilities	18	**1 365 591**	1 376 063	**1 228 944**	1 156 924
Deferred taxation	6	**28 293**	134 038	**27 612**	119 980
Current liabilities		**373 241**	1 029 987	**411 565**	1 134 347
Trade and other payables	19	**175 372**	170 336	**299 462**	270 834
Lease liabilities	18	**24 516**	12 377	**21 474**	10 846
B-BBEE interest-bearing borrowings	15	**–**	44 120	**–**	44 120
B-BBEE preference shares	16	**–**	349 300	**–**	349 300
B-BBEE shareholder's loan	17	**–**	50 000	**–**	50 000
B-BBEE B preference share dividend accrual	16	**–**	356 416	**–**	356 416
Bank overdraft		**89 651**	47 438	**90 629**	52 831
		289 539	1 029 987	**411 565**	1 134 347
Liabilities directly associated with assets held for sale	10	**83 702**	–	**–**	–
Total liabilities		**2 417 125**	3 290 088	**1 668 121**	2 411 251
Total equity and liabilities		**3 353 482**	3 858 404	**2 652 519**	2 850 838

[1] *The description has changed from 'B-BBEE investments and incentive scheme shares' in the prior year, following the B-BBEE indirect repurchase completed during the year.*

Statements of comprehensive income

for the year ended 30 June 2021

		GROUP		COMPANY	
R000	Note	2021	2020	2021	2020
Revenue from contracts with customers	20	**507 816**	1 159 283	**469 791**	1 047 348
Other income		**2 173**	4 829	**3 523**	4 550
Administration and marketing costs		**(74 640)**	(97 314)	**(73 937)**	(93 924)
B-BBEE transaction charges		**(1 223)**	(288)	**(7)**	(288)
Expected credit (loss)/gain on trade receivables		**(2 215)**	(268)	**(3 318)**	1 711
Operating costs excluding depreciation and amortisation		**(570 407)**	(735 848)	**(455 553)**	(715 204)
		(138 496)	330 394	**(59 501)**	244 193
Depreciation and amortisation		**(119 959)**	(131 156)	**(84 452)**	(101 717)
Depreciation – right-of-use assets		**(85 894)**	(92 302)	**(76 873)**	(80 806)
Results from operating activities	21	**(344 349)**	106 936	**(220 826)**	61 670
Net impairment loss on property, plant and equipment	1	**(390 443)**	(245 464)	**(27 317)**	(29 492)
Disposal groups held for sale		**(299 967)**	–	**–**	–
Other		**(90 476)**	(245 464)	**(27 317)**	(29 492)
Impairment reversal/(loss) on right-of-use assets	1	**48 945**	(242 889)	**22 434**	(167 864)
Disposal groups held for sale		**22 595**	–	**–**	–
Other		**26 350**	(242 889)	**22 434**	(167 864)
Impairment loss on goodwill	3	**(10 602)**	–	**(10 602)**	–
Impairment loss on other receivables	8	**(25 879)**	–	**(226 174)**	–
Impairment loss on disposal group	10	**(9 600)**	–	**–**	–
Impairment loss on interest in subsidiary	4			**(273 519)**	–
Impairment loss on loan receivable	5	**–**	–	**(2 117)**	(21 980)
Interest income	23.1	**7 746**	2 914	**9 097**	11 567
Interest expense	23.2	**(177 415)**	(204 212)	**(121 893)**	(152 155)
Loss before taxation		**(901 597)**	(582 715)	**(850 917)**	(298 254)
Taxation	24	**96 988**	96 083	**93 457**	61 646
Loss for the year		**(804 609)**	(486 632)	**(757 460)**	(236 608)
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		**(19 905)**	52 128		
Total comprehensive income for the year		**(824 514)**	(434 504)	**(757 460)**	(236 608)
Basic earnings per share (cents)[1]		**(161)**	(440)		
Basic diluted earnings per share (cents)[1]		**(161)**	(440)		

[1] *The comparative basic earnings per share have been restated in terms of IAS 33.28 as a result of the rights offer in August 2020, which contained a bonus element.*

Statements of cash flows

for the year ended 30 June 2021

		GROUP		COMPANY	
R000	Note	2021	2020	2021	2020
Cash (utilised in)/generated by operations	29.1	**(97 261)**	273 258	**(230 308)**	276 234
Interest received		**7 746**	2 914	**9 097**	11 567
Interest paid		**(45 350)**	(77 114)	**(9 884)**	(14 060)
Interest paid – leases	18	**(119 031)**	(117 214)	**(99 980)**	(97 908)
Taxation refunded/(paid)	29.2	**4 052**	(37 529)	**–**	(30 303)
Dividends paid	25	**–**	(108 214)	**–**	(107 832)
Distribution to employees by 10th Anniversary Employee Share Trust		**(703)**	–		
Cash (outflow)/inflow from operating activities		**(250 547)**	(63 899)	**(331 075)**	37 698
Cash utilised in investing activities		**(77 288)**	(102 642)	**(73 744)**	(80 757)
Investment to maintain operations	29.3	**(2 709)**	(53 749)	**(2 662)**	(51 590)
Investment to expand operations	29.4	**(74 579)**	(49 035)	**(62 082)**	(36 309)
(Increase)/decrease in investments and loans	29.5	**–**	–	**(9 000)**	7 000
Proceeds on disposal of property, plant and equipment	29.3	**–**	142	**–**	142
Cash inflows/(outflows) from financing activities		**265 310**	66 355	**367 021**	(22 421)
Repayment of lease liability	18	**(15 190)**	(15 005)	**(13 479)**	(13 781)
Purchase of incentive scheme shares		**–**	(2 940)	**–**	(2 940)
Net proceeds from rights offer	11	**1 145 593**	–	**1 145 593**	–
Proceeds from sale of rights	12	**66 396**	–	**61 488**	–
Purchase of treasury shares in rights offer	12	**(66 396)**	–	**(61 488)**	–
Proceeds from interest-bearing borrowings	14	**180 000**	90 000	**–**	–
Repayments of interest-bearing borrowings	14	**(280 000)**	–	**–**	–
Repayment of B-BBEE interest-bearing borrowings	15	**(44 120)**	–	**(44 120)**	–
Payment of B-BBEE B preference share dividends accrued		**(371 099)**	–	**(371 099)**	–
Redemption of B-BBEE preference shares	16	**(349 300)**	(5 700)	**(349 300)**	(5 700)
Repurchase of ordinary shares		**(574)**	–	**(574)**	–
Net decrease in cash and cash equivalents		**(62 525)**	(100 186)	**(37 798)**	(65 480)
Cash and cash equivalents at beginning of year		**(19 025)**	71 046	**(52 831)**	12 649
Reclassification of other investments to cash and cash equivalents	9	**15 800**	6 577		
Effect of movements in exchange rates on other investments		**–**	(2 727)		
Effect of movements in exchange rates on cash held		**(3 747)**	6 265		
Cash and cash equivalents at end of year[1]		**(69 497)**	(19 025)	**(90 629)**	(52 831)

[1] *Cash and cash equivalents comprise cash and cash equivalents, bank overdrafts and cash and cash equivalents classified as held for sale.*

Statements of changes in equity

for the year ended 30 June 2021

R000	Note	Stated capital	Treasury shares[1]	Other reserves	Retained earnings	Total
GROUP						
Balance at 30 June 2019		179 503	(518 014)	137 683	1 307 529	1 106 701
Total comprehensive income for the year		–	–	52 128	(486 632)	(434 504)
Loss for the year		–	–	–	(486 632)	(486 632)
Other comprehensive income						
Foreign currency translation differences		–	–	52 128	–	52 128
Transactions with owners, recorded directly in equity		–	3 633	700	(108 214)	(103 881)
Incentive scheme shares		–	3 633	(6 573)	–	(2 940)
Share compensation reserve	13	–	–	7 273	–	7 273
Dividends paid	25	–	–	–	(108 214)	(108 214)
Balance at 30 June 2020		179 503	(514 381)	190 511	712 683	568 316
Total comprehensive income for the year		**–**	**–**	**(19 905)**	**(804 609)**	**(824 514)**
Loss for the year		**–**	**–**	**–**	**(804 609)**	**(804 609)**
Other comprehensive income						
Foreign currency translation differences		**–**	**–**	**(19 905)**	**–**	**(19 905)**
Transactions with owners, recorded directly in equity		**1 145 214**	**3 453**	**(57 995)**	**101 883**	**1 192 555**
Issue of new ordinary shares		**1 145 593**	**–**	**–**	**–**	**1 145 593**
Repurchase of ordinary shares		**(379)**	**–**	**–**	**(195)**	**(574)**
Proceeds from sale of rights		**–**	**66 396**	**–**	**–**	**66 396**
Purchase of treasury shares in rights offer		**–**	**(66 396)**	**–**	**–**	**(66 396)**
Incentive scheme shares		**–**	**3 453**	**(3 453)**	**–**	**–**
Share compensation reserve	13	**–**	**–**	**(1 761)**	**–**	**(1 761)**
Distribution to employees by 10th Anniversary Employee Share Trust	27	**–**	**–**	**–**	**(703)**	**(703)**
Reclassification of the equity portion of the B-BBEE share-based payment reserve	13	**–**	**–**	**(52 781)**	**52 781**	**–**
Gain on waiver of B-BBEE shareholder's loan	17	**–**	**–**	**–**	**50 000**	**50 000**
Balance at 30 June 2021		**1 324 717**	**(510 928)**	**112 611**	**9 957**	**936 357**

[1] *The heading has changed from 'B-BBEE investments and incentive scheme shares' in the prior year, following the B-BBEE indirect repurchase completed during the year.*

Statements of changes in equity continued

for the year ended 30 June 2021

R000	Note	Stated capital	Treasury shares[1]	Other reserves	Retained earnings	Total
COMPANY						
Balance at 30 June 2019		179 503	(499 336)	112 562	986 965	779 694
Total comprehensive income for the year						
Loss for the year		–	–	–	(236 608)	(236 608)
Transactions with owners, recorded directly in equity		–	3 633	700	(107 832)	(103 499)
Incentive scheme shares		–	3 633	(6 573)	–	(2 940)
Share compensation reserve	13	–	–	7 273	–	7 273
Dividends paid	25	–	–	–	(107 832)	(107 832)
Balance at 30 June 2020		179 503	(495 703)	113 262	642 525	439 587
Total comprehensive income for the year						
Loss for the year		**–**	**–**	**–**	**(757 460)**	**(757 460)**
Transactions with owners, recorded directly in equity		**1 145 214**	**489 504**	**(57 995)**	**(274 452)**	**1 302 271**
Issue of new ordinary shares		**1 145 593**	**–**	**–**	**–**	**1 145 593**
Repurchase of ordinary shares		**(379)**	**–**	**–**	**(195)**	**(574)**
Proceeds from sale of rights	12	**–**	**61 488**	**–**	**–**	**61 488**
Purchase of treasury shares in rights offer	12	**–**	**(61 488)**	**–**	**–**	**(61 488)**
Incentive scheme shares		**–**	**3 453**	**(3 453)**	**–**	**–**
Share compensation reserve	13	**–**	**–**	**(1 761)**	**–**	**(1 761)**
Reclassification of the equity portion of the B-BBEE share-based payment reserve	13	**–**	**–**	**(52 781)**	**52 781**	**–**
Gain on waiver of B-BBEE shareholder's loan	17	**–**	**–**	**–**	**50 000**	**50 000**
Derecognition of B-BBEE entities as treasury shares in Company	12	**–**	**486 051**	**–**	**(486 051)**	**–**
De-aggregation of B-BBEE entities		**–**	**–**	**–**	**109 013**	**109 013**
Balance at 30 June 2021		**1 324 717**	**(6 199)**	**55 267**	**(389 387)**	**984 398**

[1] *The heading has changed from 'B-BBEE investments and incentive scheme shares' in the prior year, following the B-BBEE indirect repurchase completed during the year.*

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	2021	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.

Amounts included in other receivables and payables	2021	2020
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

	GROUP		COMPANY	
R000	**2021**	**2020**	**2021**	**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.*

	GROUP		COMPANY	
R000	2021	2020	2021	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.

	GROUP		COMPANY	
R000	2021	2020	2021	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	**–**	–

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
15. B-BBEE interest-bearing borrowings				
The loans were secured by a guarantee provided by City Lodge Hotels Limited. 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
	–	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

22. Directors' emoluments

Executive directors

R000	Basic salary	Performance and other bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	Current year share-based payment expense*	Total
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.

R000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 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

	2021 Per share	2021 Total portfolio	2020 Per share	2020 Total portfolio
27. Employee benefits continued				
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 Number of shares granted	2021 Weighted average share price (R)	2020 Number of shares granted	2020 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.

	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.

Segment analysis

for the year ended 30 June 2021

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

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

	City Lodge Hotel		Town Lodge		Road Lodge		Courtyard Hotel		Central office and other		Total	
R000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	**257 224**	600 159	**65 832**	171 107	**126 122**	224 906	**20 613**	51 176	**38 025**	111 935	**507 816**	1 159 283
Results from operating activities	**14 109**	239 069	**(31 139)**	32 935	**9 635**	73 467	**(22 798)**	1 148	**(314 156)**	(239 683)	**(344 349)**	106 936
Depreciation and amortisation	**13 251**	20 853	**8 678**	8 991	**10 951**	11 410	**3 258**	3 524	**83 821**	86 378	**119 959**	131 156
Depreciation – right-of-use assets	**–**	–	**–**	–	**–**	–	**–**	–	**85 894**	92 302	**85 894**	92 302
Adjusted EBITDA[(a)]	**27 360**	259 922	**(22 461)**	41 926	**20 586**	84 877	**(19 540)**	4 672	**(144 441)**	(61 003)	**(138 496)**	330 394
Land and hotel building rental[(b)]	**–**	–	**–**	–	**–**	–	**–**	–	**1 784**	5 793	**1 784**	5 793
Adjusted EBITDAR[(c)]	**27 360**	259 922	**(22 461)**	41 926	**20 586**	84 877	**(19 540)**	4 672	**(142 657)**	(55 210)	**(136 712)**	336 187

[(a)] *Adjusted EBITDA represents earnings after B-BBEE transaction charges but before interest, taxation, depreciation and amortisation and impairment charges. Adjusted EBITDA and Adjusted EBITDAR excludes amounts relating to impairments amounting to R420 million (2020: R488 million) which are recorded in central office and other segment.*

[(b)] *Land and hotel building rental primarily reflects turnover-based rentals post implementation of IFRS 16 Leases.*

[(c)] *Adjusted EBITDAR represents earnings after B-BBEE transaction charges but before interest, taxation, depreciation and amortisation, impairment charges and rental.*

Geographical information

	South Africa		Rest of Africa		Total	
R000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	**469 791**	1 047 348	**38 025**	111 935	**507 816**	1 159 283
Property, plant and equipment (non-current and current)	**1 359 339**	1 398 885	**672 503**	1 110 867	**2 031 842**	2 509 752
Right-of-use assets (non-current and current)	**932 979**	874 775	**119 053**	110 239	**1 052 032**	985 014

Shareholders' analysis

as at 30 June 2021

Shareholder spread

Beneficial shareholders with holdings exceeding 2%	Number of shares owned	% of total issued shares
Enderle SA	54 358 553	8.91
Government Employees Pension Fund	51 826 422	8.50
Allan Gray	39 958 894	6.55
Old Mutual Group	23 315 945	3.82
Bryte Insurance Company	22 593 390	3.70
Coronation Fund Managers	17 920 236	2.94
Somerset Funds	14 981 188	2.46
Vuwa Hotels (treasury shares)	14 156 937	2.32
New Shelf 892 (treasury shares)	14 156 571	2.32
Oasis Crescent Management	13 562 527	2.22
Total	266 830 663	43.74

Fund managers with a holding greater than 2% of the issued shares	Number of shares	% of issued capital
Allan Gray	80 620 768	13.22
Coronation Fund Managers	40 833 392	6.70
Public Investment Corporation	30 660 124	5.03
Oasis Crescent Management Company	25 143 473	4.12
Old Mutual Investment Group	23 050 039	3.78
Abax Investments	19 520 518	3.20
Somerset Capital Management	14 981 188	2.40
Total	234 809 502	38.45

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	21 688	73.61	2 876 455	0.47
1 001 – 10 000 shares	5 086	17.26	19 408 478	3.18
10 001 – 100 000 shares	2 194	7.45	65 147 549	10.68
100 001 – 1 000 000 shares	420	1.43	122 370 097	20.07
1 000 001 shares and above	75	0.25	400 056 923	65.60
Total	29 463	100.00	609 859 502	100.00

Shareholders' analysis continued

as at 30 June 2021

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	82	0.28	63 007 288	10.33
– Directors	4	0.01	4 221 379	0.69
– Other	78	0.27	58 785 909	9.64
Public shareholders	29 381	99.72	546 862 214	89.67
Total	29 463	100.00	609 859 502	100.00

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

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	540 495 465	88.63
United States of America and Canada	21 246 022	3.48
Norway	11 624 542	1.91
Netherlands	10 557 495	1.73
Rest of world	25 935 978	4.25
Total	609 859 502	100.00

Members' diary

Financial year-end	30 June
Annual general meeting	November

Reports

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

Dividends

Declaration	Interim	N/A
	Final	N/A
Payment	Interim	N/A
	Final	N/A

Notice of annual general meeting

CITY LODGE HOTELS LIMITED

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

Notice is hereby given that the thirty-fifth annual general meeting of shareholders of City Lodge Hotels Limited ("AGM") will be held electronically on Thursday, 25 November 2021 at 14:00 for purposes of dealing with the following business and considering and, if deemed fit, passing with or without modification, the resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (Companies Act) and the JSE Listings Requirements.

IMPORTANT DATES, PROXIES AND VOTING

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

- distribution of the notice of the AGM: Friday, 22 October 2021
- last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 16 November 2021
- record date to participate in and vote at the AGM: Friday, 18 November 2021

Last date for lodging forms of proxy with transfer secretaries, Tuesday, 23 November 2021 (refer note 4 on page 166.)

AGM to be held at 14:00 on Thursday, 25 November 2021.

Results of the AGM will be announced on SENS on Friday, 26 November 2021.

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

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

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

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

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

Note

To adopt:

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

Notice of annual general meeting continued

ELECTRONIC PARTICIPATION

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

Shareholders wishing to participate electronically are required to:

1. register online using the online registration portal at www.smartagm.co.za by no later than 14:00 on Tuesday, 23 November 2021; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 14:00 on Tuesday, 23 November 2021. However, this will not in any way affect the rights of shareholders to register for electronic participation at the AGM after this date, provided, however, that only those shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the AGM, will be allowed to participate in and/or vote by electronic means. The electronic participation form can be found as an insert in this notice of AGM. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

For the electronic notice to be valid, it must contain the following details:

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

The company will inform participants who notified Computershare of their intended participation in accordance with the notice of AGM, by no later than 14:00 on Wednesday, 24 November 2021 by email of the relevant details through which participants can participate electronically.

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

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

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

AS ORDINARY BUSINESS

1. **To present the consolidated audited annual financial statements for the year ended 30 June 2021**
   (as set out on pages 113 to 156 of the IR), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.

2. **The Social and Ethics Committee report**
   The Social and Ethics Committee report is presented on pages 99 to 100 of the IR. The chairman of the Social and Ethics Committee is available to report to shareholders at the AGM.

3. **Ordinary resolution number 1: Re-election of directors retiring by rotation**
   To elect, by way of a series of votes, the following directors who retire in accordance with the provisions of the Companies Act, and the company's MoI, and who, being eligible and available, offer themselves for re-election, as may be applicable:
   - Ordinary resolution number 1.1 "RESOLVED THAT Dr M S P Marutlulle be and is hereby re-elected as a director of the company."
   - Ordinary resolution number 1.2 "RESOLVED THAT Mr S G Morris be and is hereby re-elected as a director of the company,"
   - Mr VM Rague, who is retiring by rotation and, although eligible, has not made himself available for re-election and retires from the board with effect from the close of the AGM.

Refer to pages 16 and 17 of the IR for brief curricula vitae of the directors retiring by rotation.

The board has considered the performance and contribution of each of the directors offering themselves for re-election and in line with governance best practice, the continued independence of those non-executive directors who have served for longer than nine years is evaluated annually. Such evaluation takes into account factors that may impair independence, further details of which can be found on page 69 of the IR. Following an extensive review taking into account the independence recommendations of King IV, and the outcome of the annual internal assessment conducted separately by a sub-committee of the board constituted for the purposes of assessing independence and classifying directors, Mr Morris who has served on the board for longer than nine years was determined to be independent in character and judgement, and continues to make valuable contributions to board deliberations in an objective and unbiased manner.

In reviewing its composition, including gender and racial balance (diversity), the board in addition to evaluating the independence of these directors, has considered their individual expertise, knowledge, performance and contribution and is satisfied that the composition of the board reflects the appropriate balance of knowledge, skills, experience, competencies in industries and fields relevant to the group's business operations, diversity and independence to execute its roles and responsibilities effectively. In addition the board has also considered the following additional key criteria:

- in-depth knowledge of the nature of the industry in which the group operates, valuable long-term institutional knowledge and experience
- an understanding of the complexity of the business
- experience in the fast-changing global and competitive environment
- continuity to the group
- continuity on the board, both with respect to management and with respect to non-executive directors.

The board considers each of the retiring directors suitable for re-election.

4. Ordinary resolution number 2: Election and appointment of directors

To elect, by way of a series of votes, the following directors:

- Ordinary resolution number 2.1 "RESOLVED THAT Mr S J Enderle, who was first appointed to the board on 1 April 2021 after the previous AGM, be and is hereby elected as a non-executive director of the company."

  Mr Enderle, who was appointed to the board since the last AGM, is required to retire at the AGM following his appointment and, being eligible, offers himself for election by shareholders.

  Please refer to page 17 of the IR for Mr S J Enderle's brief curriculum vitae.

- Ordinary resolution number 2.2 "RESOLVED THAT Mr R M Kgosana be and is hereby elected as an independent non-executive director of the company, to fill the vacancy arising following Mr Rague's retirement as director.

  Age: 62

  Qualifications: BCompt Hons, CA(SA), Executive Development Programme, Diploma (GIBS).

  Experience and expertise: Accounting, auditing and advisory. Founding member of KMMT Chartered Accountants in 1993 prior to it merging with KPMG in 1999. CEO of KPMG South Africa and Chairman of KPMG Africa. KPMG International Board member until 2015.

  Previously served on the boards of Alexander Forbes, Imperial Holdings, Massmart Holdings, Transaction Capital, AECI, SAICA and IRBA. Chaired Accounting Practice Board, member of IFRS Advisory Council of the IASB and president of the Association for the Advancement of Black Accountants in Southern Africa.

  Currently serves on the boards of Phembani Group, MOGS Proprietary Limited, Clinix Group and The Nelson Mandela Children's Hospital.

- Ordinary resolution number 2.3 "RESOLVED THAT Mr A R Lapping be and is hereby elected as an independent non-executive director of the company."

  Age: 44

  Qualifications: BSc Engineering (cum laude), BCom Accounting, CFA Charter holder.

  Experience and expertise: 20-year career with Allan Gray occupying various roles covering trading, equity analysis, portfolio management until he was appointed Chief Investment Officer and Executive Director in 2016. Extensive expertise in asset management governance, specifically ESG and executive remuneration.

  Currently serves as trustee on the Allan Gray Orbis Foundation Endowment.

The Remcom has assessed the eligibility of the candidates, which the board has accepted. Refer to page 68 of the IR for more detail. Accordingly the board recommends the elections to shareholders.

Notice of annual general meeting continued

5. **Ordinary resolution number 3: Appointment of external auditor**
Upon the recommendation of the audit committee to appoint PWC Inc. as the independent auditor of the company for the ensuing year to hold office until the next AGM, with Ms Alinah Motaung as the designated partner, and to authorise the audit committee to determine the auditor's terms of engagement and remuneration.

"RESOLVED THAT PWC Inc. be and is hereby appointed as the auditor of the company for the ensuing year, with Ms Alinah Motaung as the designated partner and that the audit committee be and is hereby authorised to determine the auditor's terms of engagement and remuneration."

6. **Ordinary resolution number 4: Appointment of group audit committee members**
To elect, by way of a series of votes, and subject, where necessary, to their election or re-election as directors of the company in terms of ordinary resolutions 1 and 2, the following independent non-executive directors as members of the audit committee to hold office until the next AGM:
   - Ordinary resolution number 4.1 "RESOLVED THAT Mr S G Morris be and is hereby elected as a member and the chairman of the audit committee"
   - Ordinary resolution number 4.2 "RESOLVED THAT Mr G G Huysamer be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 4.3 "RESOLVED THAT Mr F W J Kilbourn be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 4.4 "RESOLVED THAT Ms N Medupe be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 4.5 "RESOLVED THAT Mr R M Kgosana be and is hereby elected as a member of the audit committee"
   - Ordinary resolution number 4.6 "RESOLVED THAT Mr A R Lapping be and is hereby elected as a member of the audit committee"

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

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

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

8.2 To endorse, by way of a non-binding advisory vote, the company's remuneration implementation report as set out on pages 94 to 98 of the IR.

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

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

	Annual fee excluding VAT payable 1 July 2021 to 30 June 2022	Hourly rate excluding VAT payable 1 July 2021 to 30 June 2022
Chairman of the board	**1 113 000**	
Deputy chairman	**360 150**	
Services as a director	**275 100**	
Chairman of the audit committee	**193 200**	
– Other audit committee members	**88 725**	
Chairman of the remuneration and nominations committee	**170 100**	
– Other remuneration and nominations committee members	**76 650**	
Chairman of the risk committee	**132 300**	
– Other risk committee members	**60 375**	
Chairman of the social and ethics committee	**87 150**	
Other social and ethics committee members	**40 000**	
Ad hoc committee		2 205 capped at a total of 60 000

The chairman's fee is inclusive of all board and committee commitments as well as other responsibilities across the group.

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

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

The board, on the recommendation of the remuneration and nominations committee following consultation with management has proposed the fees which represent a five percent increase, noting no increase was requested at the 2020 AGM and that the last increase was approved at the AGM in 2019.

Refer to page 140 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 85 to 98 of the IR for further detail on the company's remuneration practices.

This resolution, if approved, will from 1 July 2021 supersede the resolution passed at the annual general meeting on 11 December 2020.

10. Special resolution number 2: Financial assistance

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

The reason for and effect of special resolution number 2

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

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

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

Notice of annual general meeting continued

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

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

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

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

OTHER BUSINESS

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

By order of the board

Melanie van Heerden
Group company secretary

Bryanston

28 October 2021

Form of proxy

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

For use at the thirty-fifth annual general meeting (AGM) of members to be conducted entirely by electronic means at 14:00 on Thursday, 25 November 2021.

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

I/we, the undersigned

of

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

being the registered holder(s) of ordinary shares

hereby appoint

or failing him/her,

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

		Number of shares		
		In favour of	**Against**	**Abstain**
1.	Ordinary resolution number 1: Election of directors retiring by rotation			
1.1	Dr M S P Marutlulle			
1.2	Mr S G Morris			
2.	Ordinary resolution number 2: Election and appointment of directors			
2.1	Mr S J Enderle			
2.2	Mr R M Kgosana			
2.3	Mr A R Lapping			
3.	Ordinary resolution number 3: Appointment of external auditor			
4.	Ordinary resolution number 4: Appointment of group audit committee members			
4.1	Mr S G Morris			
4.2	Mr G G Huysamer			
4.3	Mr F W J Kilbourn			
4.4	Ms N Medupe			
4.5	Mr R M Kgosana			
4.6	Mr A R Lapping			
5.	Ordinary resolution number 5: Authority to implement resolutions			
6.	Advisory vote: Remuneration policy and implementation report			
6.1	Remuneration policy			
6.2	Remuneration implementation report			
7.	Special resolution number 1: Approval of non-executive directors' remuneration			
7.1	Chairman of the board			
7.2	Deputy chairman of the board			
7.3	Services as a director			
7.4	Chairman of the audit committee			
7.5	Other audit committee members			
7.6	Chairman of the remuneration and nominations committee			
7.7	Other remuneration and nominations committee members			
7.8	Chairman of the risk committee			
7.9	Other risk committee members			
7.10	Chairman of the social and ethics committee			
7.11	Other social and ethics committee members			
7.12	Ad hoc committee			
8.	Special resolution number 2: Financial assistance			

Signature Date

Assisted by me (where applicable)

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

Please see the notes overleaf

Notes to the form of proxy

1. A City Lodge shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A City Lodge shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned, together with proof of identification and authority to do so (where acting in a representative capacity), to the transfer secretary, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or proxy@computershare.co.za so as to be received by the transfer secretary no later than 14:00 on Tuesday, 23 November 2021, provided that any form of proxy not delivered to the transfer secretary by this time and date may (i) be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM or (ii) submitted to the company secretary immediately before the commencement of the AGM. Shareholders are strongly encouraged to submit their proxies prior to the AGM so as to avoid delays to the commencement thereof due to the verification process that will need to be carried out.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from connecting electronically to the AGM and speaking and voting by way of electronic means to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.
9. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the City Lodge shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered.

Administration

CITY LODGE HOTELS LIMITED

Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792

DIRECTORS

B T Ngcuka (Chairman), A Widegger (Chief executive officer)*, G G Huysamer, F W J Kilbourn, M S P Marutlulle, N Medupe, S G Morris, D Nathoo*, V M Rague†, L G Siddo*, S Enderle#

**Executive †Kenyan # South African and Swiss*

TRANSFER SECRETARIES

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

COMPANY SECRETARY

M C van Heerden

SPONSOR

Nedbank Corporate and Investment Banking, a division of Nedbank Limited