CITY LODGE HOTEL GROUP

Notice of Annual General Meeting 2020

We've missed you.
#Welcomeback

MESSAGE FROM THE **CHAIRMAN**

Dear shareholder,

This summary of our financial results for the year to 30 June 2020 also includes an executive overview of our performance as published on the Stock Exchange News Service (SENS) on Friday, 3 September 2020.

Please note that the notice of annual general meeting, proxy form and other administrative information are part of this summarised report.

The 2020 financial year was our most challenging operating year in the group's 35-year history, mainly due to the lockdown protocols implemented by the South African government, and similar restrictions in the Rest of Africa countries in which the group operates to curb the spread of the virus. The COVID-19 pandemic resulted in the initial temporary closure of all but four hotels which provided quarantine, essential and critical services, accommodation on a limited basis. We have gradually started re-opening hotels since August 2020, with the easing of travel restrictions and improved movement across regions.

Average occupancies for the group for the year declined from 55% in the previous financial year to 38%. In South Africa, where most of the group's hotels are situated, occupancies decreased from 58% to 41%.

Total revenue decreased by 25% to R1.16 billion, while operating costs excluding depreciation and amortisation decreased by 24%. Excluding the implementation of IFRS 16 *Leases*, the reported operating costs decreased by 11%.

Normalised headline earnings decreased by 130% to a loss of R78.8 million, and excluding the effects of IFRS 16 *Leases* normalised headline earnings decreased by 104% to a loss of R11.4 million.

Diluted normalised headline earnings per share (HEPS) decreased by 130% to a loss of 181.1 cents. Excluding the effects of IFRS 16 *Leases*, normalised HEPS decreased by 104% to a loss of 26.3 cents.

Our initial targeted expansion strategy into east and southern Africa will end on the completion of the remaining 26 rooms at the 148-room City Lodge Hotel Maputo. The hotel opened in February 2020, shortly before Mozambique went into lockdown. The completion of the remaining rooms has been put on hold due to the impact of lockdown on trading operations.

In South Africa, construction on the new Courtyard Hotel Waterfall City is progressing well, after some delays due to lockdown, with an anticipated opening of all 168 rooms in March/April 2021.

On completion of Courtyard Hotel Waterfall City and City Lodge Hotel Maputo, the group will offer 8 070 rooms at 63 hotels across six countries, namely South Africa, Botswana, Kenya, Tanzania, Namibia and Mozambique.

City Lodge Hotel Group has successfully raised proceeds of R1.2 billion through a fully subscribed rights offer which closed on 21 August 2020. The rights offer serves to support the group's long-term viability and continued growth during the uncertainty arising from the COVID-19 pandemic.

After ongoing refurbishments and the addition of new hotels, our operations are in excellent shape and well positioned to welcome new and existing guests who want to escape the confines of their homes and are ready to work, explore and share a safe and relaxing hotel experience in the COVID-19 era.

Our entire operational team is highly motivated and ready to deliver on our brand promise and grow our market share.

Please enjoy reading our Integrated Report, the full version of which (including our annual financial statements) is available on our website at www.clhg.com from today, 13 November 2020.

Yours sincerely,

Bulelani Ngcuka
Chairman

COMMENTARY

The group recently celebrated its 35th anniversary in August, which is testament to the continued support from guests, shareholders, management, employees and other stakeholders in helping to build a South African icon in the hospitality industry over the years. In contrast, this year has also been one of the most challenging years in the group's history, due to the impact of the COVID-19 pandemic on the global and local economies and, the travel and hospitality industry.

Average occupancies for the group in the 12 months to 30 June 2020, declined from 55% in the previous financial year to 38%. In South Africa, occupancies decreased from 58% in the previous financial year to 41%, which is a further 16 percentage point decline from the occupancy for the six months to 31 December 2019. The operating environment in South Africa was impacted by persistent negative growth, and low business and consumer confidence which contributed to the Moody's rating agency downgrade of South Africa to 'Junk' status in late March and to the marginally lower occupancy levels in the first three quarters of the financial year. However, the restricted operational and economic environment arising from the COVID-19 pandemic, and following the declaration of the National State of Disaster on 15 March 2020, had a significant adverse impact on the group's results for the year ended 30 June 2020.

The impact of the COVID-19 pandemic on the group's business and results of operations generally increased in magnitude and severity following the commencement of strict lockdown protocols in South Africa on 27 March 2020. Similar lockdown protocols were followed shortly thereafter in the other African countries where the group operates. These measures resulted in the temporary closure of almost all of the group's 62 hotels, except for those hotels which remained open on a limited basis providing quarantine facilities to repatriated citizens, and hotels providing support to government authorities and essential and critical business continuity services. The easing of lockdown measures has resulted in the gradual re-opening of approximately 32 hotels across South Africa and rest of Africa operations based on demand.

Total revenue decreased by 25% to R1.16 billion, while operating costs excluding depreciation and amortisation decreased by 24%. Excluding the implementation of IFRS 16 *Leases*, the reported operating costs decreased by 11%. The operating cost reductions are mainly due to the cost containment measures put in place from April, to mitigate the extent of the losses arising from minimal revenues. Excluding the effects of IFRS 16 *Leases*, normalised headline earnings before interest, tax, depreciation and amortisation (EBITDA) margin decreased by 12 percentage points to 20%.

Depreciation and amortisation on owned assets increased by 12.0%, while a depreciation charge for right-of-use assets of R92.3 million was raised for the first time. Interest expense rose by R29.9 million to R34.6 million as a result of lower borrowing costs being capitalised, as the construction of new hotels came to an end. An interest expense – leases of R117.2 million has now been raised in relation to the lease liabilities for the first time.

The group incurred a net loss of R486.6 million (2019: profit of R205.5 million). This is primarily due to exceptional losses of R344.6 million (2019: Rnil), net of tax, related to the impairment of property, plant and equipment along with right-of-use assets of some hotels. The impairment of deferred tax assets of R47.1 million (2019: Rnil) together with the recognition of IFRS 16 *Leases* interest expense, and depreciation net of previously recognised lease expenses of R67.4 million, net of tax, contributed to the loss. The impairments are due to management's assessment of the negative impact of COVID-19 on forecast cash flows generated by the underlying hotels and increased risk assessments that had a material impact on discount rates applied across the portfolio.

Normalised headline earnings decreased by 130% to a loss of R78.8 million, and excluding the effects of IFRS 16 *Leases* normalised headline earnings decreased by 104% to a loss of R11.4 million. Diluted normalised HEPS decreased by 130% to a loss of 181.1 cents. Excluding the effects of IFRS 16 *Leases*, normalised HEPS decreased by 104% to a loss of 26.3 cents.

Development activity

South Africa

Construction at Courtyard Hotel Waterfall City has resumed following lockdown and is progressing well. We anticipate a four-month delay compared to original pre-COVID-19 estimates, with an anticipated opening of all 168 rooms in March/April 2021.

The roll-out of solar power generation capabilities at 25 of the group's hotels was completed during the first half of the year. These systems will generate sufficient energy to supply approximately 30% of the individual hotel's energy demands, and will lower the group's total energy consumption from non-renewable sources by approximately 10%, further reducing its overall carbon footprint.

Southern Africa

The 148-room City Lodge Hotel Maputo opened its first 68 rooms in the second week of February, with a further 54 rooms becoming available in March. The completion of the remaining rooms has been put on hold due to the impact of lockdown on trading operations. The completion of City Lodge Hotel Maputo will bring to an end the current phase of the group's targeted expansion strategy in southern and east Africa.

On completion of Courtyard Hotel Waterfall City and City Lodge Hotel Maputo, the group will offer 8 070 rooms at 63 hotels.

Outlook

With the continued support of our shareholders, City Lodge Hotel Group has successfully raised proceeds of R1.2 billion through a fully subscribed rights offer which closed on 21 August 2020. The rights offer serves to support the group's long-term viability and continued growth during the uncertainty arising from COVID-19 pandemic.

The board intends to use the net proceeds of the rights offer to repay a portion of amounts owing under its secured facilities, retain on deposit an amount equal to, and set aside for the settlement of, the company's guarantee of the black economic empowerment (BEE) interest-bearing borrowings and the BEE preference shares and accrued dividends liability to settlement date, and to improve liquidity, including to ensure that the group is well positioned from a working capital perspective to fully resume operations as lockdown measures relating to the COVID-19 pandemic are relaxed. The proceeds are expected to support the working capital requirements until the group reaches break-even EBITDA levels, which are anticipated to be in the last quarter of the 2021 financial year.

South African operations occupancies in the last quarter of 2020 were constrained to 4%. There has been some marginal improvement in July occupancies to 7%, following the easing of lockdown level 3 regulations, which allowed for intra-provincial leisure and domestic business air travel to resume. August occupancies of 10% of total room inventory have benefited from South Africa moving to lockdown level 2 from mid-August. Occupancies based on the trading hotels are approximately double the total inventory occupancy percentages.

The next year will remain challenging as we continue to bear the impact of the prolonged lockdown measures across the South African and remaining African economies. We, however, welcome the recent announcement by President Cyril Ramaphosa to move the country to level 2 of the COVID-19 Risk Adjusted Strategy, which includes the opening of most industries and the resumption of inter-provincial leisure travel.

The group's hotels remain ready and flexible to open at short notice based on guest demand, while ensuring strict adherence to our industry-leading hygiene and safety protocols to ensure the safety and wellbeing of our guests and staff. City Lodge Hotel Group looks forward to welcoming you back. #Welcomeback.

CONDENSED CONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE

R000	Note	(Reviewed) Year ended 30 June 2020	% Change	(Audited) Year ended 30 June 2019
Revenue	8	**1 159 283**	(25)	1 547 984
Other income		**4 829**		4 475
Administration and marketing costs		**(97 314)**		(106 432)
BEE transaction charges		**(288)**		(352)
Expected credit loss on trade and other receivables		**(268)**		(2 198)
Operating costs excluding depreciation and amortisation		**(735 848)**		(961 422)
Results from operating activities before depreciation and amortisation		**330 394**	(31)	482 055
Depreciation and amortisation		**(131 156)**		(117 471)
Depreciation – right-of-use assets	3	**(92 302)**		–
Results from operating activities		**106 936**	(71)	364 584
Impairment loss on property, plant and equipment	5	**(245 464)**		–
Impairment loss on right-of-use assets	5	**(242 889)**		–
Interest income		**2 914**		2 233
Total interest expense		**(204 212)**		(59 842)
Interest expense[1]		**(34 569)**		(4 650)
Interest expense – leases	3	**(117 214)**		–
BEE interest expense		**(4 060)**		(4 187)
BEE preference dividend		**(48 369)**		(51 005)
(Loss)/profit before taxation		**(582 715)**	(290)	306 975
Taxation		**96 083**		(101 519)
(Loss)/profit for the year		**(486 632)**	(337)	205 456
Other comprehensive income items that are or may be reclassified to profit or loss				
Foreign currency translation differences[2]		**52 128**		(2 397)
Total comprehensive income for the year		**(434 504)**	(314)	203 059
Basic earnings per share (cents)		**(1 329.4)**	(337)	562.0
Basic diluted earnings per share (cents)		**(1 329.4)**	(337)	560.7

[1] *Interest expense for the year ended to 30 June 2020 increased due to a reduction in interest capitalised to hotels under construction of R26.2 million (2019: R48.2 million) following completion of those hotels.*

[2] *Foreign currency translation differences increased largely due to strengthening of the Tanzanian shilling compared to the SA rand.*

CONDENSED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE

R000	(Reviewed) 30 June 2020	(Audited) 30 June 2019
ASSETS		
Non-current assets	**3 617 316**	2 722 355
Property, plant and equipment	**2 509 752**	2 630 411
Right-of-use assets	**985 014**	–
Intangible assets and goodwill	**57 422**	55 358
Investments	**800**	800
Other investments	**7 900**	13 073
Deferred taxation	**56 428**	22 713
Current assets	**241 088**	303 373
Inventories	**5 540**	7 978
Trade receivables	**18 877**	77 369
Other receivables	**137 602**	128 468
Taxation	**42 756**	11 935
Other investments	**7 900**	6 577
Cash and cash equivalents	**28 413**	71 046
Total assets	**3 858 404**	3 025 728
EQUITY		
Capital and reserves	**568 316**	1 106 701
Share capital and premium	**179 503**	179 503
BEE investment and incentive scheme shares	**(514 381)**	(518 014)
Retained earnings	**712 683**	1 307 529
Other reserves	**190 511**	137 683
LIABILITIES		
Non-current liabilities	**2 260 101**	1 701 435
Interest-bearing borrowings	**750 000**	660 000
BEE interest-bearing borrowings	**–**	44 120
BEE preference shares	**–**	355 000
BEE shareholder's loan	**–**	50 000
BEE B preference share dividend accrual	**–**	315 604
Lease liabilities	**1 376 063**	–
Other non-current liabilities	**–**	78 899
Deferred taxation	**134 038**	197 812
Current liabilities	**1 029 987**	217 592
Trade and other payables	**170 336**	217 592
Lease liabilities	**12 377**	–
BEE interest-bearing borrowings	**44 120**	–
BEE preference shares	**349 300**	–
BEE shareholder's loan	**50 000**	–
BEE B preference share dividend accrual	**356 416**	–
Bank overdraft	**47 438**	–
Total liabilities	**3 290 088**	1 919 027
Total equity and liabilities	**3 858 404**	3 025 728

CONDENSED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE

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

CONDENSED CONSOLIDATED **STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE

R000	**(Reviewed) Year ended 30 June 2020**	(Audited) Year ended 30 June 2019
Operating cash flow before working capital changes	**264 004**	461 479
Increase in working capital	**9 254**	31 288
Cash generated by operations	**273 258**	492 767
Interest received	**2 914**	2 233
Interest paid	**(77 114)**	(64 774)
Interest paid – leases	**(117 214)**	–
Taxation paid	**(37 529)**	(95 101)
Dividends paid	**(108 214)**	(160 100)
Cash (outflow)/inflow from operating activities	**(63 899)**	175 025
Cash utilised in investing activities	**(102 642)**	(371 965)
– investment to maintain operations	**(53 749)**	(71 785)
– investment to expand operations	**(49 035)**	(335 346)
– expenditure refundable on operating leases	**–**	35 554
– purchase of investment	**–**	(600)
– proceeds on disposal of property, plant and equipment	**142**	212
Cash inflows from financing activities	**66 355**	195 019
– repayment of lease liability	**(15 005)**	–
– purchase of incentive scheme shares	**(2 940)**	(2 381)
– increase in interest-bearing borrowings	**90 000**	210 000
– redemption of BEE preference shares	**(5 700)**	(12 600)
Net decrease in cash and cash equivalents	**(100 186)**	(1 921)
Cash and cash equivalents at beginning of the year	**71 046**	53 093
Reclassification of other investments to cash and cash equivalents	**6 577**	20 398
Effect of movements in exchange rates on other investments	**(2 727)**	(430)
Effect of movements in exchange rates on cash held	**6 265**	(94)
Cash and cash equivalents at end of the year	**(19 025)**	71 046

Note: The reclassification of other investments to cash and cash equivalents relates to the portion of deposits previously held with Chase Bank, Kenya, which was placed into receivership, and which have now been released back to depositors.

SUPPLEMENTARY **FINANCIAL INFORMATION**

FOR THE YEAR ENDED 30 JUNE

R000	(Reviewed) Year ended 30 June 2020	% change	(Audited) Year ended 30 June 2019
1. Headline earnings reconciliation			
(Loss)/profit for the year	**(486 632)**		205 456
Profit on sale of property, plant and equipment	**(6)**		(170)
Impairment of property, plant and equipment and right-of-use assets	**488 353**		–
Taxation effect	**(143 797)**		48
Headline earnings	**(142 082)**	(169)	205 334
Number of shares in issue (000)	**36 677**		36 677
Weighted average number of shares in issue for EPS calculation (000)	**36 606**		36 555
Weighted average number of shares in issue for diluted EPS calculation (000)	**36 606**		36 642
Headline earnings per share (cents)			
– undiluted	**(388.1)**	(169)	561.7
– fully diluted	**(388.1)**	(169)	560.4
2. Net asset value per share (cents)	**1 549.5**	(49)	3 017.3
3. Net tangible asset value per share (cents)	**1 393.0**	(51)	2 866.4
4. Normalised headline earnings reconciliation			
Headline earnings	**(142 082)**		205 334
BEE transaction charges	**288**		352
BEE interest on interest-bearing borrowings	**4 060**		4 187
Preference dividends paid/payable by the BEE entities	**48 369**		51 005
10th Anniversary Employee Share Trust transaction charges and dividend withholding tax (DWT)	**(37)**		(43)
IFRS 2 share-based payment charge for the 10th Anniversary Employee Share Trust	**2 925**		4 148
Reversal of impairment of other investment in Chase Bank Kenya (net of tax)	**–**		(9 403)
Pre-opening expenses write-off (net of tax)	**7 688**		11 487
Normalised headline earnings	**(78 789)**	(130)	267 067
Net effect on adoption of IFRS 16 *Leases*	**67 358**		–
Lease expense previously included in operating costs	**(116 202)**		–
Depreciation – leases	**92 302**		–
Interest expense – leases	**117 214**		–
Taxation effect	**(25 956)**		–
Normalised headline earnings excluding IFRS 16 *Leases*	**(11 431)**	(104)	267 067

SUPPLEMENTARY **FINANCIAL INFORMATION**

CONTINUED

FOR THE YEAR ENDED 30 JUNE

R000	**(Reviewed) Year ended 30 June 2020**	% change	(Audited) Year ended 30 June 2019
5. Number of shares (000)			
Number of shares in issue	**36 677**		36 677
Weighted average number of shares in issue for earnings per share (EPS) calculation	**36 606**		36 555
BEE shares treated as treasury shares	**6 390**		6 390
10th Anniversary Employee Share Trust treated as treasury shares	**507**		507
Weighted average number of shares in issue for normalised EPS calculation	**43 503**		43 452
Weighted average number of shares in issue for diluted EPS calculation	**36 606**		36 642
BEE shares treated as treasury shares	**6 390**		6 390
10th Anniversary Employee Share Trust treated as treasury shares	**507**		506
Weighted average number of shares in issue for diluted normalised EPS calculation	**43 503**		43 538
6. Normalised headline earnings per share (cents)			
– undiluted	**(181.1)**	(129)	614.6
– fully diluted	**(181.1)**	(130)	613.4
– undiluted excluding IFRS 16 *Leases*	**(26.3)**	(104)	614.6
– fully diluted excluding IFRS 16 *Leases*	**(26.3)**	(104)	613.4
7. Dividend declared per share (cents)	**153.0**	(58)	366.0
– interim	**153.0**		229.0
– final	**–**		137.0
8. Dividend cover (times)			
– calculated on normalised headline earnings excluding IFRS 16 *Leases*	**(0.2)**		1.7
9. Normalised interest-bearing debt (excluding IFRS 16 *Leases*) to normalised equity (%)	**54.9**		33.9
10. Return on average normalised equity (%)	**(0.7)**		14.0
11. Net normalised asset value per share (cents)	**3 332**	(25)	4 471

R000	(Reviewed) Year ended 30 June 2020	% change	(Audited) Year ended 30 June 2019
12. Normalised interest-bearing debt (excluding IFRS 16 *Leases*) (R000)			
Interest-bearing borrowings	**750 000**		660 000
Bank overdraft	**47 438**		–
Normalised interest bearing debt (excluding IFRS 16 *Leases)*	**797 438**	21	660 000
13. Normalised equity reconciliation (R000)			
Capital and reserves	**568 316**		1 106 701
BEE and 10th Anniversary Employee Share Trust treasury shares	**504 729**		504 729
Fair value of BEE – retained earnings	**342 982**		308 797
Fair value of 10th Anniversary Employee Share Trust – retained earnings	**14 577**		14 232
Kenya capital gains tax (CGT) reversal – retained earnings	**15 561**		15 561
Chase Bank impairment – retained earnings	**7 383**		7 383
Pre-opening expenses (net of tax) retained earnings	**25 253**		17 565
Other equity – BEE – other reserves	**(26 941)**		(26 941)
Normalised equity	**1 451 860**	(25)	1 948 027
14. Normalised shares in issue (000)			
Shares in issue	**36 677**		36 677
BEE shares treated as treasury shares	**6 390**		6 390
10th Anniversary Employee Share Trust shares treated as treasury shares	**507**		507
Normalised shares in issue	**43 574**		43 574

NOTES TO REVIEWED CONDENSED CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2020

1. Basis of preparation for the condensed consolidated financial statements

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting.*

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of IFRS 16 *Leases* as set out in note 3.

The condensed consolidated financial information has been presented on the historical cost basis, and are presented in rand thousands, which is City Lodge Hotel Group's functional and presentation currency.

These condensed consolidated financial statements have been prepared under the supervision of Ms D Nathoo CA(SA), in her capacity as chief financial officer.

2. Review report of the independent auditor

These condensed consolidated financial statements for the year ended 30 June 2020 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

3. Changes in significant accounting policies

New and amended standards adopted by the group

The group adopted all the new revised or amended accounting pronouncements as issued by the IASB which were effective from 1 July 2019, the most significant accounting pronouncement for the group (defined as the parent entity (City Lodge Hotels Limited) and all its subsidiaries) being IFRS 16 *Leases.*

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

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

IFRS 16 *Leases*

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

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

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

Measurement of right-of-use asset

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

Measurement of lease liability

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

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

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

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

3. Changes in significant accounting policies continued

IFRS 16 *Leases* continued

Modification of leases

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

Adoption of IFRS 16 Leases

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

R000	1 July 2019
Lease liability recognised	1 389 607
Accrued lease payments	(78 899)
Right-of-use asset recognised under IFRS 16 *Leases*	1 310 708

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

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

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

Impact for the year ended 30 June 2020

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

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

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

3. Changes in significant accounting policies continued

IFRS 16 *Leases* continued

Practical expedients applied by the group on transition

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

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

4. Significant judgements and estimates

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

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

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

In particular, in addition to information about impairments set out in note 5 and going concern set out in note 15, 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:

Measurement of share-based payments

Equity-settled share appreciation right scheme

The group plan provides for a grant price equal to the 10-day volume weighted average market price of the group's shares on grant date. The vesting period is generally three to five years. The vesting of the share appreciation rights (SARs) is subject to the achievement of specified performance conditions.

The performance conditions are that the normalised HEPS should increase:

- By between the Consumer Price Index (CPI) per annum and 2 percentage points per annum above CPI
- By more than CPI plus 2 percentage points per annum above CPI over a three-year performance period.

In total, 25% of the SARs will vest if the former performance condition is satisfied and 100% of the SARs will vest if the latter is satisfied, with linear vesting between them.

Measurement of share-based payments

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 were incorporated into the measurement of fair value.

Equity-settled 10th anniversary employee share plan

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.

4. Significant judgements and estimates continued

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.

Subsidiaries in Namibia and Tanzania have incurred losses in the current period as well as in prior years. The deferred tax assets recognised for taxable losses incurred has been impaired in the current period. Previously, the directors view has been that a new hotel takes a few of years to establish itself before generating good returns. However, due to the impact of the COVID-19 pandemic on short to medium-term forecasts, the directors have assumed that it will take longer than historically for these hotels to make the required returns to utilise the deferred tax assets. Therefore, impairment of deferred tax assets has been recognised in Namibia and Tanzania, of R17.2 million and R29.8 million respectively. The remaining R56.4 million deferred tax assets are considered recoverable as they relate to timing differences between asset depreciation and impairments, and wear and tear allowances and IFRS 16 treatment, and will be utilised against future taxable profits.

5. Impairment of property, plant and equipment and right-of-use assets

During the year ended 30 June 2020, the group impaired property, plant and equipment by R245.5 million (2019: Rnil) and right-of-use assets by R242.9 million (2019: Rnil) as a consequence of the downward short to medium-term trading expectations due to the global COVID-19 pandemic. The recoverable amount has been determined 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 16.1% in the next financial year, reducing to a normalised level of 15.5% by 2023 for South African hotels and range between 12% and 19.1% for Rest of Africa hotels. Management assumed a gradual increase in occupancy and a phased hotel reopening for the first quarter of 2021 financial year. Cash flows for the remainder of 2021, will remain constrained with the group assumed to reach break-even EBITDA levels in and around the last quarter of the 2021 financial year. Occupancy and trading levels are assumed to return to 2019 financial year levels within the 2022 financial year. The annual growth rate applied to cash flow forecasts for established hotels for 2023 to 2025 financial years is 5%. The terminal growth rate applied is 4.5% for South African hotels and ranges between 4% and 6% for the Rest of Africa hotels. Fair value less costs to sell, was based on information in the market relating to comparable sales. In the case of new hotels in Rest of Africa, which became operational during the last two years, fair value less costs to sell was determined as 75% of the cost of the hotel, as this was considered the best available estimate.

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

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

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

R000	Increase	Decrease
5% change in the net cash flows	**9 124**	**(14 918)**
25bps change in the terminal growth rate	**2 821**	**(2 697)**
50bps change in the discount rate	**(13 917)**	**9 455**

6. Fair value measurements of financial instruments

Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, any attributable transaction costs. Subsequent to initial recognition, these instruments are measured at amortised cost using the effective interest method. The group has no financial instruments that are measured at fair value.

Financial instruments' fair value approximates the carrying value of the financial instruments as they are either short term in nature or, where long term, accounted for at amortised cost using market related interest rates.

7. Pro forma financial information

The supplementary information presented, excluding headline earnings and HEPS, net asset value per share, net tangible asset value per share and dividends declared per share (all of which are covered by the independent auditor's review report) contains information presented on a normalised basis. This information is the responsibility of the company's directors and has been prepared for illustrative purposes only. The results do not take into account transactions in the BEE entities, share trust and any once-off transactions. The supplementary information may not fairly present the company's financial position, changes in equity, results of operations or cash flows. The independent reporting accountant's report on the supplementary information is available at the company's registered office.

8. Revenue

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 or contract liabilities.

Disaggregation of the revenue from contracts with customers for the year under review at a point in time:

R000	**Year ended 30 June 2020**	Year ended 30 June 2019
Accommodation	**990 556**	1 341 538
Food and beverage	**154 316**	200 666
Other revenue	**14 411**	5 780
	1 159 283	1 547 984
Primary geographical markets		
South Africa	**1 047 348**	1 404 154
Rest of Africa	**111 935**	143 830
	1 159 283	1 547 984

9. Segment analysis

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.

Year ended 30 June

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

Geographical information

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

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

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

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

10. Standards and interpretations issued not yet effective

The group does not anticipate that any standards, interpretations or amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2020 or later periods, which the group has not early adopted, would have a material impact on the group.

11. Capital commitments

As at 30 June 2020, the directors had authorised a total of R127.4 million for maintenance and expansion capital items, of which R108.9 million is committed and is anticipated to be spent by 30 June 2021. R66.4 million of the committed capital expenditure has been contracted. Given the uncertainty created by the COVID-19 pandemic, the remaining R18.5 million of authorised spend has been put on hold.

12. Contingent liabilities

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

13. Subsequent events

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

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

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

14. Liquidity and funding

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

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

NOTES TO REVIEWED CONDENSED CONSOLIDATED **FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

15. Going concern

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

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

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

- The COVID-19 cost containment initiative as detailed in note 13
- Through continuous engagement and support from the group's lenders, an additional R200 million secured revolving credit facility has been made available to provide liquidity until the rights offer is consummated
- The group has also secured the waiver of the borrowing covenants for both the June 2020 and December 2020 measurement periods
- The group has successfully raised equity of R1.2 billion through a rights offer, which completed on 21 August 2020
- In preparing the cash flow forecasts utilised to assess the going concern, the impact of the pandemic on the group's operations and liquidity was considered. The cash flow statements remain challenging in the short term, however, the longer-term outlook over the next five years remains positive.

16. Dividend

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

The JSE Link to the announcement is
https://senspdf.jse.co.za/documents/2020/jse/isse/CLH/ye2020.pdf.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

2 September 2020

DEFINITIONS OF SUPPLEMENTARY **FINANCIAL INFORMATION**

Headline earnings
Headline earnings are calculated in terms of circular 1/2019.

Definitions of non-IFRS measures
These measures are not defined by IFRS and which are used by the group to assess the financial performance of its businesses.

Normalised headline earnings
Normalised headline earnings are calculated as headline earnings adjusted for the effects of:
- Transactions relating to the BEE entities as well as the related deferred tax
- Pre-opening expenses (net of tax)
- IFRS 2 share-based payment charge for the 10th Anniversary Employee Share Trust
- Transactions that are of a non-recurring/ non-core nature.

Normalised headline earnings excluding IFRS 16 *Leases*
Normalised headline earnings before the effect of the implementation of IFRS 16 *Leases.*

Normalised headline earnings per share
Normalised headline earnings divided by the normalised weighted average number of ordinary shares in issue for the period (which is defined as the number of shares for EPS calculation, adjusted for BEE shares and 10th Anniversary Employee Share Trust shares treated as treasury shares).

Normalised headline earnings excluding IFRS 16 *Leases* per share
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* divided by the weighted average number of ordinary shares in issue adjusted for BEE shares and 10th Anniversary Employee Share Trust shares.

Normalised diluted headline earnings per share
Normalised headline earnings divided by the normalised weighted average number of ordinary shares in issue for the period (which is defined as the number of shares for diluted EPS calculation, adjusted for BEE shares and 10th Anniversary Employee Share Trust shares treated as treasury shares) and any outstanding share options in issue.

Normalised diluted headline earnings excluding IFRS 16 *Leases* per share
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* divided by the normalised weighted average number of ordinary shares in issue for the period for diluted EPS calculation.

Dividend cover
Normalised diluted headline earnings per share divided by dividends declared per share.

Net normalised asset value per share
Normalised equity divided by the normalised shares in issue at year-end.

Normalised return on average normalised equity
Normalised headline earnings excluding expenses relating to implementation of IFRS 16 *Leases* attributable to ordinary shareholders expressed as a percentage of the average normalised equity.

Normalised interest-bearing debt (excluding IFRS 16 *Leases)* to normalised equity
Interest-bearing borrowings excluding lease liabilities related to implementation of IFRS 16 *Leases*, expressed as percentage of normalised equity.

Normalised equity
Capital and reserves adjusted for the effects of:
- Transactions relating to the BEE entities as well as the related deferred tax
- Pre-opening expenses (net of tax)
- IFRS 2 share-based payment charge for the 10th Anniversary Employee Share Trust
- Transactions that are of a non-recurring/non-core nature.

Average normalised equity
The sum of normalised equity for the current and prior year divided by two.

Normalised shares in issue
Issued share capital of the company, including treasury shares.

NOTICE OF **ANNUAL GENERAL MEETING**

CITY LODGE HOTELS LIMITED

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

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

IMPORTANT DATES, PROXIES AND VOTING

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

- Receive notice of the AGM: Friday, 6 November 2020
- Last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 1 December 2020
- Participate in and vote at the AGM: Friday, 4 December 2020.

Last date for lodging forms of proxy with transfer secretary, Wednesday, 9 December 2020 (refer note 4 on page 28).

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

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

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

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

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

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

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

Note

To adopt:

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

ELECTRONIC PARTICIPATION

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

Shareholders wishing to participate electronically are required to:

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

For the electronic notice to be valid, it must contain the following details:

- If the shareholder is an individual, a certified copy of his/her ID and/or passport
- If the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the IDs and/or passports of the persons who passed the relevant resolution. The resolution must provide the particulars of the person authorised to represent the relevant entity at the AGM via electronic communication
- Valid email address.

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

Although voting will be permitted through electronic communication, shareholders are strongly encouraged to submit votes by proxy before the AGM.

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 and separate audited annual financial statements for the year ended 30 June 2020**
   (as set out on pages 104 to 160 of the Integrated Report), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.

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

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

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

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

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

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

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

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

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

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

   In terms of the King Report on Corporate Governance™ for South Africa (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.

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

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

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

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

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

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

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

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

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

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

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

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

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

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

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

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

(i) The number of its own ordinary shares acquired by the company in any one financial year shall not exceed 10% (ten per cent) of the ordinary shares in issue at the date on which this resolution is passed

(ii) This authority shall lapse on the earlier of the date of the next AGM of the company or the date 15 (fifteen) months after the date on which this resolution is passed

(iii) The board has resolved to authorise the acquisition and that the company and its subsidiaries (the group) will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the group

(iv) The acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty

(v) The company only appoints one agent to effect any acquisition(s) on its behalf

(vi) The price paid per ordinary share may not be greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which an acquisition is made

(vii) The number of shares acquired by subsidiaries of the company shall not exceed 10% (ten per cent) in the aggregate of the number of issued shares in the company at the relevant times

(viii) The acquisition of shares by the company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless the company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing, prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE

(ix) An announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares in issue at the date of the AGM at which this special resolution is considered and, if approved, passed, and for each 3% (three per cent) in aggregate of the initial number acquired thereafter."

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

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

Directors' responsibility statement

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

Material changes

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

Reason for and effect of special resolution number 3

The general authority is required by the company to perform its settlement obligations to employees participating in the company's various share or employee incentive schemes.

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

(i) The group will be able to pay its debts in the ordinary course of business for a period of 12 (twelve) months after the date of this notice

(ii) The assets of the group will exceed the liabilities of the company and its subsidiaries for a period of 12 (twelve) months after the date of this notice, recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements

(iii) The ordinary share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice

(iv) The working capital of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the period of 12 (twelve) months after the date of this notice. In terms of the Companies Act, this acknowledgement by the directors is valid for a set period only and the directors' minds would need to be applied again if the buyback was implemented after this period.

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

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

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

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

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

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

Explanations and voting requirements

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

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

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

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

Explanations and voting requirements

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

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

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

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

ii. a resolution, despite having been adopted in terms of the Companies Act, may not be implemented, and would be subject to Court approval, if:

   a. the resolution was opposed by at least 15% (fifteen per cent) of the voting rights that were exercised on such resolution and within 5 (five) business days after the vote, any person who voted against the resolution requires the company to seek Court approval; and

   b. the Court, on an application within 10 (ten) business days after the vote by any person who voted against the resolution, grants that person leave, to apply to a Court for a review of the transaction, and section 115 of the Companies Act provides for the process to be followed under these circumstances.

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

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

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

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

ii. has neither:

   a. withdrawn that notice; or

   b. voted in support of the resolution.

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

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

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

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

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

OTHER BUSINESS

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

By order of the board

M C van Heerden

Group company secretary

Bryanston

13 November 2020

NOTES

FORM OF PROXY

Form of proxy – for use by certificated and own name dematerialised shareholders only

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

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

I/we (full name in print), the undersigned

of (address)

Telephone: (home) (work) (cellular)

being the registered holder(s) of ordinary shares

hereby appoint

or failing him/her,

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

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

Signature Date

Assisted by me (where applicable)

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

Please see the notes overleaf

NOTES TO THE FORM OF PROXY

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

ADMINISTRATION

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

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

** Executive + Kenyan*

Company secretary
M C van Heerden

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Transfer secretaries
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Rosebank Towers
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Auditors
KPMG Inc.

Bankers
The Standard Bank of South Africa Limited

Attorneys
ENS Africa

Sponsor
Nedbank Corporate and Investment Banking