



CITY LODGE HOTELS

Notice of Annual General
Meeting 2023



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Message from the Chairman

Dear shareholders

On behalf of the Board of Directors ("the Board"), you are invited to attend the annual general meeting ("AGM") of City Lodge Hotels Limited ("the Company") which will be held as a hybrid meeting on Thursday, 23 November 2023 at 14:00.

Bulelani Ngcuka
Chairman, City Lodge Hotels



The notice of AGM contains the complete audited consolidated and separate annual financial statements for the year ended 30 June 2023, which were compiled under the supervision of Dhanisha Nathoo CA(SA), Chief Financial Officer ("CFO") of City Lodge Hotels Limited and audited by PricewaterhouseCoopers Inc ("PwC"), the Company's independent auditor who issued an unqualified audit opinion on the consolidated and separate financial statements for the year ended 30 June 2023.

In an operating environment punctuated by an economic slowdown, heightened load-shedding, and subdued business confidence, the group's check-into-easy ethos underscores our dedication to providing guests with a streamlined experience to buffer life's inevitable challenges.

Bolstering our resilience in the face of uncertainty

The past year bore witness to City Lodge Hotels' ability to recover and rebuild. As the direct pandemic-related impacts began to subside, the business responded dynamically, leading to a rebound in revenue. Encouragingly, we noticed a significant uplift in foreign tourists visiting South Africa, accompanied by increased domestic

business and leisure travel. Our occupancy rates have shown robust growth, surpassing even pre-pandemic levels, a testament to our ability to respond, adapt and thrive.

Nonetheless, we acknowledge the ongoing challenges. Load-shedding, infrastructure decay and rising operational costs remain significant business impediments, while geopolitical issues, such as the conflict in Ukraine, added layers of uncertainty to our supply chain. These factors led to increased costs and delayed some of our planned capital investments. To mitigate these risks, the group is proactively enhancing its operations.

In response to energy and water shortages, for example, we have bolstered resilience through targeted measures, such as solar and borehole and filtration plant installations, further emphasising our commitment to offering guests a sanctuary from such challenges. These proactive steps are part of our commitment to responsible operations and long-term sustainability.

Furthering transformation, community development and effective partnerships

We view internal transformation as the starting point for meaningful change, to foster an equitable and inclusive operating environment. We are pleased that our leadership has increasingly come to reflect our nation's diverse fabric, enriching our collective perspective and enhancing the quality of our decision-making.

Our involvement in youth employment projects, particularly the YES programme, aligns with our aim to contribute to societal transformation. This programme facilitates employment opportunities for the youth, serving as an investment in the future workforce.

Furthermore, we have forged strategic partnerships with stakeholders such as the SATSA Incubator, enabling a more resilient and inclusive hospitality sector. During the year, we invested in incubating 17 emerging enterprises, supporting innovation and growth within the industry.

This measurable progress underscores our ongoing efforts to foster a more equitable environment.

Chairman's review continued

Dividend declaration

Given our improved liquidity position and an encouraging outlook, the board approved and declared an interim dividend of 5 cents and a final dividend of 8 cents per ordinary share (gross) (2022: nil), enhancing shareholder value after a challenging period.

Appreciation

I extend my heartfelt gratitude to my fellow board members, the management team, and dedicated employees who have displayed continued commitment and resilience. To our shareholders, I offer my deepest thanks for your sustained trust and support as we navigate the complexities of the current landscape.

After 17 distinguished years of service, Mr Stuart Morris has elected to retire from the board and as chairman of the audit committee and member of the remuneration and nominations and risk committees. We wish to express our sincere appreciation to Stuart for his dedicated service and leadership, commitment and valued contribution to the company and wish him well for the future.



Looking ahead

While uncertainty persists due to the upcoming national elections and its potential impact on tourism, we are heartened by recent collaborations between the government and organised business, targeting energy, logistics, and crime and corruption – crucial areas for economic recovery and stability.

With the emergence of new demographics interested in tourism and domestic travel, we find ourselves well-positioned to cater to this market through our diversified brand offerings. Our agility in expanding services for the leisure sector, along with improvements aimed at our regular business and leisure travellers, suggests a promising outlook.

In conclusion, the group stands steadfast, navigating the ebb and flow of change. We remain focused on our strategic objectives and are equipped to navigate future challenges with the collective resilience that defines City Lodge Hotels. In the same vein, we will continue to provide a sanctuary for our guests amidst their daily struggles.

Please enjoy reading our Integrated annual report and Annual financial statements which are available on our website at www.citylodgehotels.com from today, 26 October 2023.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bulelani Ngcuca'.

BULELANI NGCUKA
Chairman, City Lodge Hotels

Notice of Annual General Meeting

CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06

Share code: CLH ISIN: ZAE000117792

(City Lodge or the company or the group)

Notice is hereby given that the thirty-seventh annual general meeting (AGM) of the company will be held as a hybrid meeting as follows, i) in person at City Lodge Hotels Limited, Block 7, Bryanston Gate Office Park, corner Homestead Avenue and Main Road, Bryanston and ii) by electronic participation via the electronic meeting platform (as permitted by the Listings Requirements of the JSE Limited (JSE), the provisions of the Companies Act No 71 of 2008, as amended (the Companies Act), and the company's memorandum of incorporation (MOI), on Thursday, 23 November 2023 at 14:00 to conduct the following business and consider and, if deemed fit, pass, with or without modification, the following resolutions.

Record dates

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

Record date to receive notice of the AGM:	Friday, 20 October 2023
Last date to trade to be eligible to participate in and vote at the AGM:	Tuesday, 14 November 2023
Record date to be eligible to participate in and vote at the AGM:	Friday, 17 November 2023
Last date for lodging forms of proxy with transfer secretaries:	Tuesday, 21 November 2023
Date of AGM:	Thursday, 23 November 2023
Results of the AGM will be released on SENS:	Friday, 24 November 2023

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. Presentation and adoption of the audited consolidated and separate annual financial statements for the year ended 30 June 2023 incorporating the directors', external auditor's and audit committee reports.

The complete audited consolidated and separate annual financial statements for the year ended 30 June 2023 is obtainable from the company's website www.citylodgethotels.com, and accompanies this notice of AGM.

"RESOLVED THAT the audited consolidated and separate annual financial statements, together with the directors', external auditor's and audit committee reports for the year ended 30 June 2023, be and are hereby received and adopted."

2. Presentation of the Social and Ethics Committee report.

The report of the Social and Ethics Committee as set out on pages 135 to 136 of the Integrated Annual Report (IAR) is presented to shareholders.

3. Ordinary resolution number 1: Re-election of directors

To elect, by way of separate resolutions, the following directors who retire by rotation in accordance with the provisions of the Companies Act, and the company's MOI, and who, being eligible and available, offer themselves for re-election:

- Ordinary resolution number 1.1 "RESOLVED THAT Mr G G Huysamer be and is hereby re-elected as a director of the company."
- Ordinary resolution number 1.2 "RESOLVED THAT Dr M S P Marutlulle be and is hereby re-elected as a director of the company."

Mr S G Morris who is retiring by rotation, although eligible, has not made himself available for re-election and accordingly retires from the board with effect from the close of the AGM.

Notice of Annual General Meeting continued

Brief curricula vitae of each retiring director appear below.

- Mr G G Huysamer
Age: 60
Qualifications: BA LLB

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

Serves on the boards of the following entities:

- Eco Children NPC (chairman)
- Klaserie Private Nature Reserve (chairman)
- Associated Private Nature Reserves (chairman)
- Eastgate Airport (director)

- Dr M S P Marutlulle

Age: 55
Qualifications: PhD (Critical Diversity Studies), MA (Sociology)

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

The board has considered the performance and contribution of each of the directors offering themselves for re-election and in line with governance best practice, their continued independence. Following an extensive review taking into account the independence recommendations of King IV™, and the outcome of the annual internal assessment conducted separately by a sub-committee of the board constituted for the purposes of assessing independence and classifying directors, the directors retiring by rotation, were determined to be independent in character and judgement, and continue to make valuable contributions to board deliberations in an objective and unbiased manner.

The board, in addition to evaluating the independence of these directors, and with reference to its composition, has considered their individual expertise and knowledge, as well as:

- in-depth knowledge of the nature of the industry in which the group operates, valuable long-term institutional knowledge and experience;
- an understanding of the complexity of the business;
- experience in the fast-changing global and competitive environment;
- continuity to the group;
- continuity on the board, both with respect to management and with respect to non-executive directors

and is satisfied that the composition of the board reflects the appropriate balance of knowledge, skills, experience, competencies in industries and fields relevant to the group's business operations, diversity and independence to execute its roles and responsibilities effectively.

The board considers each of the retiring directors suitable for re-election.

4. Ordinary resolution number 2: Re-appointment of external auditor

To re-appoint PricewaterhouseCoopers Inc. (PwC), as nominated by the company's audit committee, as the independent auditor of the company, to hold office until the conclusion of the next AGM, with Ms Alinah Motaung as the designated partner, and to authorise the audit committee to determine the auditor terms of engagement and remuneration.

The audit committee reviewed PwC's independence and performance as external auditor and resolved to recommend its re-appointment as the company's auditor to the board and shareholders.

"RESOLVED THAT PricewaterhouseCoopers Inc. be and is hereby re-appointed as the auditor of the company to hold office until the conclusion of the next AGM, with Ms Alinah Motaung as the designated partner and that the audit committee be and is hereby authorised to determine the auditor's terms of engagement and remuneration."

5. Ordinary resolution number 3: Appointment of group audit committee members

To elect, by way of separate resolutions, 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:

Ordinary resolution number 3.1 "RESOLVED THAT Ms MG Mokoka be and is hereby re-elected as a member and the chairperson of the audit committee".

Ordinary resolution number 3.2 "RESOLVED THAT Mr G G Huysamer be and is hereby re-elected as a member of the audit committee".

Ordinary resolution number 3.3 "RESOLVED THAT Mr A R Lapping be and is hereby re-elected as a member of the audit committee".

Ordinary resolution number 3.4 "RESOLVED THAT Ms N Medupe be and is hereby re-elected as a member of the audit committee".

The qualifications of the committee members proposed for election appear on pages 18 and 19 of the IAR.

As special business:

6. Ordinary resolution number 4: Adoption of Conditional Share Plan

“RESOLVED THAT the City Lodge Hotels Limited Conditional Share Plan 2021 (CSP), initially adopted by the board of directors in 2021 and which has been amended to align with Schedule 14 of the JSE Listings Requirements, a copy of which has been initialled by the Chairman for purposes of identification and tabled at this AGM and the salient features of which are set out in Annexure A of this notice of AGM, be and is hereby approved.”

In terms of the JSE Listings Requirements, the approval of more than 75% of the voting rights exercised on ordinary resolution number 4 by Shareholders present or represented by proxy at the AGM will be required to pass this ordinary resolution.

Reason for and effect of ordinary resolution number 4

The reason for ordinary resolution number 4 is that the board considers it to be in the best interests of the company that the CSP, which was initially adopted by the board in 2021, and which is aimed at ensuring that appropriate incentives are granted to employees of the company and its subsidiaries to encourage and motivate continued growth and profitability within the company and to promote the retention of the company's employees, be aligned with schedule 14 of the JSE Listings Requirements and adopted by shareholders.

The effect of this ordinary resolution number 4 is to, *inter alia*, allow for flexibility and to hedge against the risk of significant movement in the share price over the vesting period through the introduction of a number of settlement methods. Shareholders are advised that the approval of the CSP will allow for the settlement of past, as well as future, awards to take place in accordance with the settlement methods provided for in the CSP rules.

The JSE has approved the CSP rules, which are available for inspection at the registered office of the company, during normal business hours, from the date of this notice of AGM to the date of the AGM.

7. Ordinary resolution 5: Placing of the authorised but unissued shares under the control of the directors

“RESOLVED THAT subject to the passing of ordinary resolution 4, the shares in the authorised but unissued share capital of the company be and are hereby placed under the control of the directors of the company, with the power to allot and issue these shares in accordance with and for the purposes of the CSP, subject to the maximum overall limit of 5% of the issued shares until the next AGM, and subject further to the provisions of the Companies Act, the JSE Listings Requirements and the MOI.”

Reason for ordinary resolution number 5

The reason for ordinary resolution number 5 is that the board requires authority from shareholders in terms of the MOI to issue shares in the company. While no issue of these shares is contemplated at present as the CSP makes provision for various methods of settlement including the use of treasury shares or market purchase of shares, this authority, if approved, will allow the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required to settle shares in terms of the CSP.

8. Ordinary resolution 6: Authority to make and implement the odd-lot offer, specifically the repurchase of the odd-lot holdings from the odd-lot holders who do not make an election

“RESOLVED THAT, subject to the passing of special resolutions 3 and 5, the board be and is hereby authorised to implement the odd-lot offer according to the terms and conditions of the odd-lot offer contained in the circular attached to this notice of AGM, thereby specifically allowing the company, or its wholly-owned subsidiary, to repurchase the odd-lot holdings of odd-lot holders who do not make an election in terms of the odd-lot offer.”

In order for ordinary resolution 6 to be passed the support of more than 50% of all of the voting rights exercised on the resolution by the shareholders is required. There are no voting exclusions on this ordinary resolution.

Reason for ordinary resolution number 6

The reason for ordinary resolution number 6 is to obtain the authority of shareholders to allow the company to make and implement the odd-lot offer, including the specific authority allowing the company, or its wholly-owned subsidiary, to repurchase the odd-lot holdings of odd-lot holders who do not make an election in terms of the odd-lot offer. The effect of ordinary resolution number 6 is that the company, or its wholly-owned subsidiary, will repurchase the odd-lot holdings of odd-lot holders who do not make an election in terms of the odd-lot offer.

9. Ordinary resolution number 7: Authority to implement resolutions

“RESOLVED THAT any one director or the group company secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary for, or incidental to, the implementation of all the resolutions passed at and set out in this notice of AGM.

10. Advisory vote: Remuneration policy and implementation report

10.1 “RESOLVED to endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out in the remuneration report on pages 118 to 127 of the IAR.”

10.2 “RESOLVED to endorse, by way of a non-binding advisory vote, the company's remuneration implementation report as set out in the remuneration report on pages 128 to 134 of the IAR.”

In terms of principle 14 of King IV™ read with paragraph 3.84 (j) of the JSE Listings Requirements, the company's remuneration policy and the implementation thereof need to be tabled for a non-binding advisory vote by shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof. Failure to carry will not have any legal consequences relating to existing arrangements. However, in the event that the remuneration policy and implementation report 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. Details of the manner and timing of such engagements will be communicated in the results of AGM announcement.

Notice of Annual General Meeting continued

Special business

11. Special resolution number 1: Approval of non-executive directors' remuneration

"RESOLVED THAT the remuneration payable to non-executive directors be approved on the basis set out as follows, effective 1 July 2023:

R	Annual fee* 1 July 2023 to 30 June 2024	Hourly rate* 1 July 2023 to 30 June 2024
11.1 Chairman of the board**	1 262 300	
11.2 Deputy chairman	408 500	
11.3 Director	312 000	
11.4 Chairman of the audit committee	222 300	
11.5 Other audit committee members	102 000	
11.6 Chairman of the remuneration and nominations committee	190 200	
11.7 Other remuneration and nominations committee members	85 700	
11.8 Chairman of the risk committee	150 100	
11.9 Other risk committee members	68 500	
11.10 Chairman of the social and ethics committee	100 200	
11.11 Other social and ethics committee members	46 000	
11.12 Ad hoc committee***		2 500 capped at a total of 65 000

* Fees are exclusive of VAT, which will be payable to those directors who are registered for VAT and who submit a VAT invoice to the company.

** This is an all-inclusive fee. The Chairman does not receive any additional fees irrespective of his membership of other committees and other responsibilities across the group.

*** Ad hoc committees may be set up from time to time and mandated to deal with special items requiring attention by the board, instead of convening a full board meeting or to consider a specific issue falling outside the scope of existing committees. These ad hoc committees then meet to review the matter concerned.

The overall effective increase is 6.5% and largely aligns with the increase awarded to management.

Reason for and effect of special resolution number 1

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 competitive to enable the company to attract and retain persons of sufficient calibre with the necessary competence, experience and skill required to make a meaningful contribution and accords with the greater accountability and risk attached to the position. Non-executive directors do not participate in any of the short or long-term incentive plans, and there are no arrangements in place for compensation to be awarded in the case of loss of office.

Refer to page 43 of the Annual financial statements for the year ended 30 June 2023 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 113 to 134 of the IAR for further detail on the company's remuneration practices.

The effect of this special resolution number 1 is that it will supersede the resolution passed at the previous AGM and the level of fees as set out above is increased with effect from 1 July 2023.

12. Special resolution number 2: Inter-group financial assistance

"RESOLVED to the extent required by sections 44 and/or 45 of the Companies Act, that the board may, subject to compliance with the requirements of the 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, at any time during a period commencing on the date of passing of this resolution and ending at the next AGM".

Reason for and effect of special resolution number 2

The reason for and effect of special resolution number 2 is that, 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.

Both sections 44 and 45 of the Companies Act, which govern financial assistance, 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.

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. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Notice in terms of section 45(5) is hereby given that any financial assistance contemplated in this special resolution will in all likelihood exceed one-tenth of one percent of the company's net worth at the date of adopting such a resolution. This notice is also relevant for any trade union representing any employees of the company.

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.

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.

13. Special resolution number 3: Authority to effect amendments to the MOI - Odd-lot

"RESOLVED THAT, the company be and is hereby authorised in terms of the Companies Act and the JSE Listings Requirements, with effect from the date of filing of the notice of amendment of the MOI with the Companies and Intellectual Property Commission, to insert a new paragraph 43 in the MOI in order to allow the company to give effect to the odd-lot offer on the terms set out in the circular to which this notice of AGM is attached:

43. ODD-LOT

43.1 Definitions

The following definitions shall apply for purposes of this clause 43:

43.1.1 "Odd-lot" means any total holding by a single shareholder of -

43.1.1.1 less than 100 securities; or

43.1.1.2 100 or more securities as determined by the directors at the relevant time and approved by the JSE;

43.1.2 "Odd-lot offer" means an offer to the shareholders of odd-lots in terms of which the shareholders of the odd-lots may elect to retain or sell their odd-lots, subject to the JSE Listings Requirements;

43.2 Odd-lot offer

43.2.1 The company may make and implement odd-lot offers in accordance with the JSE Listings Requirements or as otherwise permitted by the JSE.

43.2.2 If -

43.2.2.1 the company makes an odd-lot offer in accordance with the JSE Listings Requirements or as otherwise permitted by the JSE; and

43.2.2.2 Shareholders who -

43.2.2.2.1 hold less than 100 securities (or less than such other number of securities ("other number") as may on request by the company be permitted by the JSE in respect of that odd-lot offer) in the company; or

43.2.2.2.2 on behalf of a person who owns a beneficial interest in securities in the company, hold less than 100 securities (or less than the other number, as the case may be),

each being an "odd-lot", and who qualify to participate in that odd-lot offer, do not elect any of the election alternatives in accordance with the terms of the odd-lot offer, such shareholders shall be deemed to have agreed to sell their odd-lots, and the company shall be entitled (on implementation of that odd-lot offer) to cause the odd-lots to be sold on behalf of such shareholders on such basis as the board may determine; provided that the company shall account to such shareholders for the proceeds attributable to them pursuant to the sale of such odd-lots, subject to clause 36.3 of the MOI."

Notice of Annual General Meeting continued

Reason for special resolution number 3

The reason for the passing of special resolution number 3 is to amend the MOI to allow the company to implement the odd-lot offer. The effect of the passing of special resolution number 3 is that the company will be able to implement the odd-lot offer in accordance with the terms contained in the circular attached to this notice of AGM.

14. Special resolution number 4: Authority to effect amendments to the MOI - Fractional entitlements

“RESOLVED THAT, the company be and is hereby authorised in terms of the Companies Act and the JSE Listings Requirements, with effect from the date of filing of the notice of amendment of the MOI with the Companies and Intellectual Property Commission, to insert a new paragraph 44 in the MOI in order to deal with fractions of shares and other securities:

44. FRACTIONS OF SHARES AND OTHER SECURITIES

To the extent that a fractional entitlement arises, such fractional entitlement will be dealt with in accordance with the provisions of the JSE Listings Requirements, as amended from time to time.”

Reason for special resolution number 4

The reason for the passing of special resolution number 4 is to amend the MOI to deal with fractional entitlements.

15. Special resolution number 5: Specific authority to repurchase shares from odd-lot holders

“RESOLVED, subject to the passing of special resolution number 3, that the company, or its subsidiaries, be and are hereby authorised in terms of sections 46 and 48 of the Companies Act, the MOI and paragraph 5.69(b) of the JSE Listings Requirements, by way of specific authority, to repurchase, at the odd-lot offer price, the shares of odd-lot holders who elect, pursuant to the odd-lot offer, to sell their odd-lot holdings or those odd-lot holders who do not make an election to retain their odd-lot holdings.”

In terms of Section 48(8)(a) of the Companies Act and paragraph 5.69(b) of the JSE Listings Requirements, the approval of at least 75% of the voting rights exercised on special resolution number 5 by Shareholders present or represented by proxy at the AGM will be required to pass this special resolution.

Reason for and effect of special resolution number 5

The reason for this special resolution number 5 is to obtain the required approval in terms of sections 46 and 48 of the Companies Act, the JSE Listings Requirements and the MOI for the acquisition by the company, from the odd-lot holders of their odd-lot holdings as proposed in the odd-lot offer.

The effect of this special resolution number 5 is to authorise and enable the company or its subsidiaries subsequent to the implementation of the odd-lot offer to repurchase the odd-lot holdings from the odd-lot holders, which, if repurchased by the company, will subsequently, on application to the JSE, be delisted and cancelled or held as treasury shares, if repurchased by a subsidiary.

16. Special resolution number 6: General authority to repurchase or acquire ordinary shares

“RESOLVED THAT the company, or any of its subsidiaries, be and are hereby authorised by way of a general authority to repurchase or acquire, as the case may be, ordinary shares in the capital of the company, subject to the provisions of the Companies Act, the JSE Listings Requirements and as permitted by the MOI, provided that:

- the general authority shall be valid only until the next AGM or for 15 months from the date of this special resolution, whichever period is shorter;
- the repurchase/acquisition being 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;
- the company is authorised thereto by its MOI;
- repurchases/acquisitions may not be made at a price greater than 10% (ten percent) above the weighted average of the market price of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement containing full details of the transaction being published in accordance with the JSE Listings requirements as soon as the company and/or its subsidiaries have repurchased/acquired shares constituting, on a cumulative basis, 3% (three percent) of the initial number of shares, and for each 3% (three percent) in aggregate of the initial number of shares repurchased, acquired or cancelled thereafter;

- repurchases/acquisitions shall not in aggregate in any one financial year exceed 10% (ten percent) of the company's issued ordinary share capital and provided that the acquisition of ordinary shares by a subsidiary shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the company are held by or for the benefit of all the subsidiaries as treasury shares of the company collectively;
- the company and/or its subsidiaries may not repurchase/acquire shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless it has in place a repurchase programme details of which have been submitted to the JSE in writing prior to the commencement of the prohibited period; and the company has instructed 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;
- at any point in time, the company only appoint one agent to effect any repurchases/acquisitions on its behalf; and
- a resolution is passed by the board authorising the repurchase/acquisition, that the company and its subsidiaries have passed the solvency and liquidity test and that since performing the test there have been no material changes to the financial position of the group."
- for the avoidance of doubt, (i) a *pro rata* repurchase by the company from all its shareholders; and (ii) intra-group repurchases by the company of its shares from wholly-owned subsidiaries, share incentive schemes pursuant to Schedule 14 of the JSE Listings Requirements and/or non-dilutive share incentive schemes controlled by the company, where such repurchased shares are to be cancelled, will not require shareholder approval, save to the extent as may be required by the Companies Act;

Reason for and effect of special resolution number 6

Special resolution number 6 is sought to allow the company or a subsidiary, 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). This authority will provide the board with the necessary flexibility to repurchase shares in the market, should the board believe that it is in the interest of the company to do so.

At present, the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate and it is deemed in all respects advantageous to the company or a subsidiary to repurchase/acquire such shares. Any decision by the directors to use the general authority to acquire shares of the company will be taken with regard to the prevailing market conditions and other factors, including the share price with reference to executive management's valuation of the company.

The effect of this special resolution is to confer a general authority on the company or a subsidiary to repurchase/acquire ordinary shares in the company which are in issue from time to time.

The directors, having considered the effect of a maximum repurchase under this general authority are of the opinion that for a period of 12 months after the date of notice of the AGM:

- the company shall meet a solvency and liquidity test as contemplated in the Companies Act;
- the company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements; and the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital of the company and group are considered adequate for ordinary business purposes.

Notice of Annual General Meeting continued

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Annual financial statements for the year ended 30 June 2023 as follows:

Major shareholders	Refer to pages 65 to 67
Stated capital	Refer to page 36

Directors' responsibility statement

The directors, whose names appear on pages 18 to 19 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 this special resolution contains all the information required by law and the JSE Listings Requirements.

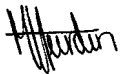
Material change

There have been no material changes in the financial or trading position of the company and its subsidiaries since year end.

Other business

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

By order of the board



MELANIE VAN HEERDEN
Group company secretary

Bryanston

26 October 2023

ATTENDANCE, VOTING AND PROXIES

- 1) Shareholders are entitled to attend, speak and vote at the AGM.
- 2) Shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the company.
- 3) Majority required for the adoption of resolutions
 - 3.1) ordinary resolutions: unless otherwise indicated, the support of a simple majority (that is, more than 50%) of the total number of voting rights exercised on the resolutions is required.
 - 3.2) special resolutions: the support of at least 75% of the total number of voting rights exercised on the resolutions is required.
 - 3.3) non-binding advisory votes: are of an advisory nature only and failure to pass these votes will not have any legal consequences relating to the existing arrangements. Should 25% or more of the votes exercised on these non-binding resolutions be cast against either or both of these non-binding resolutions, the board undertakes to engage with identified dissenting shareholders as to the reasons therefore and take appropriate action (as determined at the discretion of the board) to reasonably address issues raised as envisaged in King IV™ and the JSE Listings Requirements.
- 4) If certificated shareholders or dematerialised shareholders with 'own name' and who are entitled to attend, participate in and vote at the AGM, do not deliver the proxy forms to the transfer secretaries by the stipulated time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the transfer secretaries at proxy@computershare.co.za.
- 5) Certificated shareholders and dematerialised shareholders with "own-name" registration who are unable to attend the AGM and who wish to be represented at the AGM, must complete and lodge the attached proxy form. It is recommended that forms of proxy be received by Computershare Investor Services Proprietary Limited (Transfer Secretaries) by no later than by no later than 48 (forty-eight) hours before the commencement of the AGM for administration purposes.
- 6) Dematerialised shareholders without "own-name" registration who wish to attend the AGM in-person must request their CSDP or broker to provide them with the necessary letter of representation in accordance with the relevant custody agreement. Dematerialised shareholders without "own-name" registration who do not wish to attend the AGM but wish to be represented at the AGM must advise their CSDP or broker of their voting instructions. Such shareholders should contact their CSDP or broker with regard to the cut-off time for their voting instructions.

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.

As stated above, participation in the AGM will also be via electronic communication and shareholders wishing to attend the AGM via electronic means must follow the instructions for registration, attendance and participation set out below. The electronic platform used to host the AGM accords with the provisions of section 63(2)(a) of the Companies Act and the company's MOI.

How to participate in the AGM?

City Lodge is pleased to offer the Lumi Platform for shareholders that wish to participate and vote online/virtually during the AGM as well as in-room electronic voting devices for shareholders that wish to participate and vote in-room.

STEP 1: REGISTRATION TO ATTEND THE AGM

1) Registering online

1.1 register online using the online registration portal at www.lumiconnect.com; or

1.2 apply to Computershare, by delivering the duly completed Form to:

Computershare Investor Services (Pty) Ltd, 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 by email to proxy@computershare.co.za so as to be received by Computershare by no later than 14:00 on Tuesday, 21 November 2023. 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. 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.

Shareholders attending via electronic communication will be required to connect to the AGM through the Lumi website by following the steps set out at www.smartagm.co.za/www.lumiconnect.com by selecting the applicable meeting and clicking on the City Lodge Hotels Limited logo.

Lumi will inform shareholders who registered online by no later than 14:00 on Wednesday, 22 November 2023 by email of the relevant details through which shareholders can participate electronically.

Notice of Annual General Meeting continued

2) Registering at the venue of the AGM

Shareholders who wish to attend in-person and vote at the meeting, and who have not registered online, will be able to register at the venue from 13:00 to 13:45.

STEP 2: IDENTIFICATION

In terms of section 63(1) of the Companies Act, all AGM participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries. The forms of identification include a valid identity document, driver's licence, passport, and where the shareholder is not an individual a certified copy of a resolution by the entity detailing who from the entity is authorised to represent it at the AGM together with a certified copy of identity document of the person who passed the resolution.

- 1) Participants registering to participate in the AGM using the online registration method contemplated above, by uploading the relevant documentation via the online registration portal and providing a valid email address and/or mobile telephone number; or
- 2) Participants attending the AGM in-person and who have not registered online, by furnishing the relevant documentation to the Transfer Secretaries at the AGM venue.

Participants who do not furnish the necessary identification documents and/or, if applicable, a letter of representation or if they are not able to be verified by the Transfer Secretaries by the time specified above, will receive guest status.

STEP 3: QUESTIONS

Shareholders are encouraged to submit any questions concerning the resolutions proposed as set out in this notice of AGM in advance of the AGM by emailing their questions to the company secretary at mvanheerden@citylodgehotels.com by no later than 12:00 on Tuesday, 21 November 2023. These questions will be addressed at the AGM. The submission of questions in advance will, however, not preclude a shareholder from asking a question at the AGM either in person or via electronic communication.

Please note:

- Notwithstanding the foregoing, any shareholder who wishes to attend the AGM is entitled to contact Computershare at proxy@computershare.co.za at any time prior to the conclusion of the AGM, in order to be verified and provided with access to the Lumi Platform. In order to avoid any delays in being provided with access to the Lumi Platform shareholders are encouraged to contact Computershare at their earliest convenience.
- Shareholders will be liable for their own network and data charges.
- Neither City Lodge, Computershare and/or Lumi, their appointed service provider will be held accountable in the case of the loss of network connectivity or network failure due to insufficient airtime/internet connectivity/power outages/electronic participation channel malfunction which could prevent a shareholder from participating in the AGM.

Form of proxy

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

For use at the thirty-seventh annual general meeting (AGM) of members to be conducted as a hybrid meeting as follows, i) in person at City Lodge Hotels Limited, Block 7, Bryanston Gate Office Park, corner Homestead Avenue and Main Road, Bryanston and ii) by electronic participation via the electronic meeting platform on Thursday, 23 November 2023 at 14:00. If you are a City Lodge shareholder referred to above, and are entitled to vote at the AGM, you can appoint a proxy or proxies to vote and speak in your stead at the AGM. A proxy need not be a shareholder of the company. If you are a City Lodge ordinary shareholder and have dematerialised your ordinary shares through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but provide your CSDP with your voting instructions in terms of your custody agreement entered into with it. Generally, a shareholder will not be an own name dematerialised City Lodge shareholder unless the City Lodge shareholder has specifically requested the CSDP to record the City Lodge shareholder as the holder of shares in the City Lodge shareholder's own name in the company's sub-register.

I/we, the undersigned

of

Telephone (home):

being the registered holder(s) of
hereby appoint

ordinary shares

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-election of directors			
1.1	Mr G G Huysamer			
1.2	Dr M S P Marutlulle			
2.	Ordinary resolution number 2: Re-appointment of external auditor			
3.	Ordinary resolution number 3: Appointment of group audit committee members			
3.1	Ms M G Mokoka			
3.2	Mr G G Huysamer			
3.3	Mr A R Lapping			
3.4	Ms N Medupe			
4.	Ordinary resolution number 4: Adoption of Conditional Share Plan			
5.	Ordinary resolution number 5: Placing of the authorised but unissued shares under the control of the directors			
6.	Ordinary resolution 6: Authority to make and implement the odd-lot offer, specifically the repurchase of the odd-lot holdings from the odd-lot holders who do not make an election			
7.	Ordinary resolution number 7: Authority to implement resolutions			
8.	Advisory vote: Remuneration policy and implementation report			
8.1	Remuneration policy			
8.2	Remuneration implementation report			
9.	Special resolution number 1: Approval of non-executive directors' remuneration			
9.1	Chairman of the board			
9.2	Deputy chairman			
9.3	Director			
9.4	Chairman of the audit committee			
9.5	Other audit committee members			
9.6	Chairman of the remuneration and nominations committee			
9.7	Other remuneration and nominations committee members			
9.8	Chairman of the risk committee			
9.9	Other risk committee members			
9.10	Chairman of the social and ethics committee			
9.11	Other social and ethics committee members			
9.12	Ad hoc committee			
10.	Special resolution number 2: Inter-group financial assistance			
11.	Special resolution number 3: Authority to effect amendments to the MOI – Odd-lot			
12.	Special resolution number 4: Authority to effect amendments to the MOI – Fractional entitlements			
13.	Special resolution number 5: Specific authority to repurchase shares from odd-lot holders			
14.	Special resolution number 6: General authority to repurchase or acquire ordinary shares			

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 exercisable at the meeting. 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 is 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. It is recommended that forms of proxy be received by the Transfer Secretaries, Computershare Investor Services Proprietary Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (Private Bag X9000, Saxonwold 2132), email proxy@computershare.co.za, by no later than 14:00 on Tuesday 21 November 2023, provided that any form of proxy not delivered to the Transfer Secretaries by this time and date may (i) be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM or (ii) submitted to the company secretary immediately before the commencement of the AGM. Shareholders are strongly encouraged to submit their proxies prior to the AGM so as to avoid delays to the commencement thereof due to the verification process that will need to be carried out.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's Transfer Secretaries 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 attending the AGM, in person or electronically, and speaking and voting at the meeting to the exclusion of any proxy appointed in terms of this form of proxy, 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.

Participating in the Annual General Meeting via electronic communication

Capitalised terms used in this annexure shall bear the meanings ascribed thereto in the notice to which this annexure is attached

1. Shareholders or their duly appointed proxy(ies) that wish to participate in the AGM via electronic communication ("Participants"), must either:

1.1 register online using the online registration portal at www.lumiconnect.com; or

1.2 apply to Computershare, by delivering the duly completed Form to:

Computershare Investor Services (Pty) Ltd, 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 by email to proxy@computershare.co.za so as to be received by Computershare by no later than 14:00 on Tuesday, 21 November 2023. 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.

2. Important notice

2.1 Lumi shall, by no later than 14:00 on Wednesday, 22 November 2023, notify Participants that have delivered valid notices in the form of this Form, by email of the relevant details through which Participants can participate electronically

Application form
Full name of Participant:
ID/passport number of individual or registration number of entity:
Email address:
Cell number:
Telephone number: (code): (number):
Name of CSDP or broker (if shares are held in dematerialised format):
I want to participate electronically
I want to participate and vote electronically
Signature:
Date:

Terms and conditions for participation in the AGM via electronic communication

1. The cost of electronic participation in the AGM, including but not limited to network charges, is for the expense of the Participant and will be billed separately by the Participant's own service provider.
2. The Participant acknowledges, by signing this application form, that the electronic platform through which the AGM will be facilitated is provided by third parties and indemnifies City Lodge Hotels Ltd 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 neither City Lodge, Computershare and/or Lumi, their appointed service provider will be held accountable in the case of the loss of network connectivity or network failure due to insufficient airtime/internet connectivity/power outages/electronic participation channel malfunction which could prevent a shareholder from participating in the AGM.
3. The application to participate in the AGM electronically will only be deemed successful if this application form has been completed fully and signed by the Participant.

Participant's name _____

Signature _____

Date _____

Salient features of the conditional share plan (CSP)

Rationale for the CSP

In FY22 following extensive consultation with remuneration consultants and taking into consideration:

- evolving best practice governance;
- shareholder feedback; and
- the failure of the Share Appreciation Right Scheme 2008 to:
 - meet the objectives of aligning management interests with those of shareholders; and
 - deliver value to the Participants and promote retention,

a new share plan, namely the Conditional Share Plan 2021 (CSP 2021) was introduced.

The CSP 2021 was the only variable pay offered in FY22 and the levels were calibrated to represent a normal LTI allocation and, in addition, 50% of a normal STI allocation, to cater for the fact that no separate STI awards were made.

The CSP 2021 was developed as a flexible plan, affording the company the ability to impose appropriate performance measures, performance periods, vesting periods and post-vesting holding periods depending on the company's needs at the time of making an award. The first award in FY22 measured performance over a one-year period. This was done because the calibration of three-year forward looking performance measures was not possible at that point in time, given the current economic climate and urgency required for the implementation of the company's turnaround strategy. Furthermore, such a calibration would not result in fair or meaningful outcomes in terms of variable pay and would not successfully drive the desired behaviour and outcomes necessary for sustainable recovery and growth in value for shareholders. Several safeguards were implemented to ameliorate the use of a shorter performance period, including staggered vesting over a three-year period, post-vesting holding periods, affordability conditions and the introduction of a malus and clawback policy.

As the company moved to a 'business-as-usual' phase in FY23 the incentive measures and performance period were reviewed, resulting in the reinstatement of the STI schemes, participation in the CSP 2021 being extended to the executive directors, exco and senior management, subject to three-year forward-looking performance measures and the re-instatement of the RSP for other eligible participants, subject to remuneration and nominations committee discretion.

Leveraging the more stable business environment and so as to allow for flexibility and to hedge against the risk of significant movement in the share price over the vesting period through the introduction of a number of settlement methods detailed below, the board on the recommendation of the remuneration and nominations committee, seeks to align the CSP 2021 with Schedule 14 of the JSE Listings Requirements, which requires 75% shareholder approval. It is to be noted that should shareholder support be forthcoming, the settlement of past and future awards will take place in accordance with the Schedule 14 compliant CSP 2021.

Salient features

Description	Participants receive a conditional right to shares in the company. Vesting is subject to the achievement of forward looking performance conditions and Malus & Clawback provisions.
Purpose	To attract, retain and incentivise employees. To provide selected employees with the opportunity of receiving shares in the company.
Instrument	Performance awards will be awarded as conditional rights to shares subject to forward looking performance conditions.
Eligibility and allocation as a percentage of TGP	Eligible employees, as selected by the remuneration and nominations committee CEO: 100% CFO and COO: 75% Exco and senior management: 40%
Overall company limit	The aggregate number of shares at any one time which may be settled for awards under the CSP and RSP shall not exceed 30,492,975 shares, being 5% of the issued shares as at the date that the amended CSP rules are approved.
Individual limit	The maximum number of shares which may be settled in respect of all awards to any one participant under the CSP and RSP shall not exceed 6,098,595 Shares, being 1% of the issued shares as at the date that the amended CSP rules are approved.
Performance period	A three-year forward looking performance period is used, aligned with the company's financial year end.
Performance conditions and performance vesting percentages	The performance conditions comprise a combination of the measures which the remuneration and nominations committee believes ensure shareholder alignment and the execution of strategy over the long term. The targets and vesting levels (with linear vesting applying between levels) are set out in the award letter and disclosed in the remuneration report.
Vesting period	The conditional shares will vest at the end of a three-year performance period and may be subject to a further holding period and such disclosed in the remuneration report.
Settlement and settlement method	Prior to procuring the settlement of vested awards, the remuneration and nominations committee shall consider the overall affordability to the group. In order to allow for flexibility and to hedge against the risk of significant movement in the share price a number of settlement methods are available for use at the remuneration and nominations committee's discretion: 10.3.1 market purchase of shares; or 10.3.2 use of treasury shares; or 10.3.3 issue of shares. No consideration will be payable by a participant in respect of the vesting of an award. In the determination of the number of shares which may be acquired by or settled to participants, shares acquired on the open market shall not be counted towards the overall limit referred to above.
Malus	Unvested awards may be reduced or cancelled resulting in forfeiture should a trigger event occur between the award and settlement date.
Clawback	The participant will be required to pay-back, in full or in part, the pre-tax market value of the shares as determined on the vesting date, if a trigger event is discovered subsequent to the end of the vesting period. Insofar as holding periods may apply, a portion or all of the vested shares of the participant will be recovered if a trigger event is discovered after the vesting date
Termination of employment	Participants terminating employment prior to the vesting date of a particular award will be classified as a good or bad leaver. Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro rata portion of all unvested awards will vest on the date of termination of employment. The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.

Salient features of the conditional share plan (CSP) continued

Change of control	<p>In the case of a change of control, a pro rata portion of all unvested awards will vest on the date of change of control.</p> <p>The pro rata portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met and are to be exercised within a period determined by the remuneration and nominations committee. The balance of the awards will lapse.</p>
Variation in share capital	<p>In the event of a variation in share capital, the participants will continue to participate in the various long-term incentive (LTI) plans. The remuneration and nominations committee may, however, where the company's value has been materially affected, make an adjustment to the number of awards to give a participant an equivalent fair value of the equity capital as to which they would have been entitled prior to the event.</p>
Amendments and termination	<ul style="list-style-type: none"> • The remuneration and nominations committee may at any time, subject to the JSE Listings Requirements, alter, vary or add to these terms and conditions as it thinks fit. • Amendments to the CSP 2021 may only affect awards to participants that have already been made if they are to the advantage of participants and subject to the JSE Listings Requirements. • The remuneration and nominations committee may make minor amendments for ease of the administration of the CSP 2021, to comply with or take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable taxation or regulatory treatment of the company or any employer company or any present or future participant. • The remuneration and nominations committee may terminate the CSP 2021 at any time, but awards before such termination will continue to be valid and as described in the provisions of the CSP 2021. • None of the provisions in the plan rules relating to: <ul style="list-style-type: none"> – the category of persons who are eligible for participation in the share plan (s14.1(a)); – the basis for determining awards(s14.1(f)); – the number of shares that may be utilised for the share plan(s14.1(b)); – the number of shares that may be used for purposes of awards in respect of an individual employee or participant(s14.1(c)); – the amount, if any, payable upon acceptance of an award, vesting and/or settlement(s14.1(d)(i)); – the adjustment of awards in the event of a variation of shares of the company or a change of control (s14.1(g)); – the voting, dividend, transfer and other rights attaching to the award, including those arising upon a liquidation of the company (s14.1(e)); or – the procedure to be adopted in respect of the vesting of awards in the event of a change of control, or a termination of employment (s14.1(h)), <p>may be amended by the company without the prior approval of the JSE and by ordinary resolution of 75% of the shareholders of the company, excluding all the votes attached to shares owned and controlled by the existing participants and which were acquired in terms of the CSP 2021.</p>



CITY LODGE
HOTELS

Annual Financial Statements
for the year ended 30 June 2023



check into easy.

citylodgehotels.com





Highlights

REVENUE

R1.7bn

2022: R1.1bn ▲ 55%

EBITDAR

R556m

2022: R303m ▲ 83%

RETURN ON EQUITY

16%

2022: 9% ▲ 7 points

PROFIT FOR THE YEAR

R164m

2022: R82m ▲ 100%

GROUP OCCUPANCY

56%

2022: 38% ▲ 18 points

EARNINGS PER SHARE
(DILUTED)

28.6c

2022: 14.3c ▲ 100%

HEADLINE EARNINGS/(LOSS)
PER SHARE (DILUTED)

30.3c

2022: (8.6)c ▲ 452%

DIVIDENDS

**Final: 8c
Interim: 5c**

2022: Nil

check into easy.

citylodgehotels.com



Commentary

City Lodge Hotels has enjoyed an impressive recovery in occupancies and average room rate post the Covid-19 pandemic and the severe effects of the lockdown on the hospitality and tourism industries. Group occupancies are up 18 percentage points to 56% from the prior year of 38%, and 1.5 percentage points up from 55% for the 2019 financial year (FY19). Occupancies have been on a rising trend, with monthly occupancies since October 2022 exceeding those of 2019 (excluding January 2023).

Similarly, average room rates for the year have increased meaningfully by 12% compared to last year, and we have been recovering lost ground against pre-Covid room rates. We are now seeing our recovery playing out.

The group expects this growth trajectory to continue as it rolls out several significant developments aimed at boosting the bottom line by enhancing the guest experience.

FINANCIAL REVIEW

Revenue for the year ended 30 June 2023 increased by 55% to R1.7 billion (2022: R1.1 billion), indicating that the recovery from the Covid-19 pandemic is well established. Food and beverage revenue, has seen growth thanks to the introduction of new menus at City Lodge Hotels and Courtyard Hotels, as well as the expanded lunch and dinner options at the Town Lodge and Road Lodge brands. It now accounts for 17% (2022: 15%) of total revenue, and has delivered a 79% increase on the prior year.

The improved occupancies and the return to normal trading conditions, including the higher food and beverage volume, has contributed to the increase in total operating costs. Salaries and wages increased by 32% to R492.7 million, as the prior year included a period of up to 30% salary reductions for reduced time worked during Covid as many hotels remained closed or had low occupancies. The additional contract staff support and food and beverage service staff has also contributed to the increase. Property costs increased by 19% mainly attributable to the increase in utility prices together with the increase in the variable portion of these costs arising from greater occupancy volumes. The cost of running the generators during more frequent power outages increased to R16.6 million from R3.2 million in the prior period.

Rooms related costs, and food and beverages costs are variable in nature. These costs increased by 52% and 68% to R189.6 million (2022: R125.0 million) and R124.8 million (2022: R74.4 million), respectively, and are driven by the increased volumes. Food and beverage gross profit margins have improved to 58% from 55% in the prior year.

Other operating costs increased by 49% to R268.8 million compared to R181.0 million in the prior year. The increases are associated with variable direct cost increases and the relaxation of the strict cost management measures instituted during the Covid-19 pandemic. These relaxation measures include a normalised repairs and maintenance schedule for the hotels, and renewed investment in advertising and marketing.

The 28% decrease in the depreciation charge is as a result of a revision to the estimated useful life of furniture and fitting, and software. The increase in useful life is due to the prolonged frequency of refurbishment cycles during and following the Covid-19 pandemic.

The group generated an increase in EBITDAR of 83% for the year to R556.3 million (2022: R303.2 million), and an improved EBITDAR margin of 32.4% (2022: 27.5%). EBITDAR margin excluding unrealised foreign currency gains is 30.0%

(2022: 20.2%). The improvement in trading conditions has delivered a profit after tax of R163.7 million (2022: R81.7 million), and diluted earnings per share of 28.6 cents (2022: 14.3 cents).

Similarly, diluted headline earnings per share is 30.3 cents per share, compared to a loss of 8.6 cents per share in the prior period.

The group balance sheet reflects a much improved, and strengthened position compared to the prior year. Debt funding was R300.0 million as at 30 June 2023 (2022: R600.0 million), and cash balances were R328.3 million (2022: overdraft of R59.3 million), at the same date. The receipt of the proceeds from the sale of the East Africa operations in July 2022 of R479.4 million, and the cash generated by operations of R539.5 million (2022: R265.8 million), enabled the group to repay R300.0 million of its total R600.0 million interest-bearing borrowings facilities during the year. The group continues to have access to the R300.0 million undrawn interest-bearing borrowing facilities and the R115.0 million overdraft facility. The loan covenants have been met for all measurement periods during the reporting period.

The board remains cautious about the economic challenges, particularly in South Africa, with the ongoing electricity and water supply constraints and the high inflation and interest rates over the last 12 months. However, the group also recognises the much improved liquidity position and the promising outlook, and is confident that it is able to withstand these headwinds. The board has declared a final cash dividend of 8c per share (2022: Nil).

STRATEGIC DEVELOPMENTS

The improved trading performance has allowed the group to once again focus on the value generated from its well equipped and optimally positioned portfolio of hotels, which enable us to deliver exceptional service and an easy and seamless experience to our guests.

As a consequence of our now robust financial position, our refurbishment programmes have re-commenced to ensure our products are always in tip top condition. During the past year, City Lodge Hotel at OR Tambo International Airport successfully completed its kitchen extension including equipment installation in September 2022, and now offers food and beverage solutions to guests 24-hours a day. Road Lodge Richards Bay completed its room and commercial area refresh and modernisation in April 2023. A major revamp is currently underway at the 207-room City Lodge Hotel V&A Waterfront, which includes a complete renovation and refurbishment of the bedrooms, and commercial area. Courtyard Hotel Waterfall City completed the fit-out of the remaining four floors in mid-December 2022.

These developments are complemented by our continued focus on meeting and exceeding the needs of travellers, who demand an uncomplicated and easy life, during these challenging times. Our food and beverage offer is constantly being enhanced, and now includes new and improved menus at City Lodge Hotel and Courtyard Hotel brands, ordered using efficient Point-of-Sale devices, and delivered using state-of-the-art kitchen equipment. These meals are complemented by our new cocktail and snack menus, affording us an opportunity to earn more of the guest spend.

Commentary continued

The group has improved its B-BBEE rating to a level 3 in the current year, from a level 5 in the prior year. As operating activities improve we have renewed our support and investment in transformation initiatives within our communities, and also invested in the development of the future workforce from training and practical experience offered through the youth employment scheme (YES programme).

OUTLOOK

The 2024 financial year, will be the year of renewed fervour into modernising and reinvesting in our portfolio of hotels, with refurbishments scheduled at 10 hotels, which will include the further roll-out of our new generation hotel room designs to make the products more appealing to our changing guest profile and delivering an enhanced return for our shareholders.

Sustainable and resilient environmental business operations are an imperative, and the group is responding to this need through the expansion of our solar programme to a further 15 hotels, in addition to the 25 hotels that already have solar energy generating capacity, and an increased focus on energy storage. Boreholes and filtration plants are being installed at properties where water is frequently disrupted and/or the water quality is sub-standard. All upgrades offer greater resiliency when it comes to supplementing off-the-grid electricity and water sources.

Total capital commitments authorised for the 2024 financial year is R367.6 million.

The group is encouraged that these shifts in economic sentiment have been mirrored in the positive occupancy trends in July 2023 of 61% (July 2022 – 52% and July 2019 - 56%), August 2023 of 61% (August 2022 – 51% and August 2019 - 55%) and month to date up to 7 September of 64%, and looks to continue well into the summer season and the remainder of the financial year.

The group and hotel positioning and brand messaging are being refreshed, tapping into the slogan: "Life is hard. Check into easy." The aim is to stand out from the crowd and strengthen top-of-mind awareness, positioning ourselves for a new generation of business and leisure travellers.

DECLARATION OF DIVIDEND

The board has approved and declared final dividend (number 64) of 8.00 cents per ordinary share (gross) (2022: Nil) in respect of the year ended 30 June 2023.

The dividend will be subject to Dividend Tax. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:

- The dividend has been declared out of distributable reserves;
- The local Dividend Tax rate is 20% (twenty per centum);
- The gross local dividend amount is 8.00 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 6.40 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- The company currently has 609 859 502 ordinary shares in issue; and
- The company's income tax reference number is 9041001711.

Shareholders are advised of the following dates:

- Last date to trade cum dividend Tuesday, 26 September 2023
- Shares commence trading ex dividend Wednesday, 27 September 2023
- Record date Friday, 29 September 2023
- Payment of dividend Monday, 2 October 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 September 2023 and Friday, 29 September 2023, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

08 September 2023

Directors: B T Ngcuka (Chairman), A Widegger (Chief executive officer)*, S J Enderle[#], G G Huysamer, F W J Kilbourn (Deputy chairman), A R Lapping, M S P Marutlulle, N Medupe, M G Mokoka, S G Morris, D Nathoo*, L G Siddo* *Executive [#]South African and Swiss
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Company secretary: M C van Heerden **Sponsor:** Nedbank Corporate and Investment Banking, a division of Nedbank Limited.

City Lodge Hotels

Incorporated in the Republic of South Africa Registration number: 1986/002864/06
Share code: CLH ISIN: ZAE000117792

Contents



These annual financial statements were published on 08 September 2023, were audited in compliance with the requirements of the Companies Act, 71 of 2008, and prepared under the supervision of the Chief financial officer, Dhanisha Nathoo CA(SA).



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Directors' responsibility statement

for the year ended 30 June 2023

The company's directors are required by the Companies Act of South Africa, Act 71 of 2008 (Companies Act) to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of the group and company at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying consolidated and separate financial statements, the International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board, the Listings Requirements of JSE Limited, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008 of South Africa, as amended have been followed, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The consolidated and separate annual financial statements incorporate responsible disclosure. The directors accept responsibility for the preparation, integrity and fair presentation of the consolidated and separate annual financial statements. The directors are responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in the company. The directors are also responsible for the controls over, and the security of the company's website and where applicable, for the establishing and controlling the process for electronically distributing annual reports and other financial information to the company's shareholders and the Companies and Intellectual Property Commission. Consequently, the directors have implemented a broad range of processes and procedures designed to provide control by the directors over the company's operations.

The directors have reviewed the group and company budgets and cash flow forecasts for the year to 30 June 2024. On the basis of this review, and in light of the current financial position, improved operational performance, liquidity and existing borrowing facilities, the directors are satisfied that the group and company are going concerns and they have accordingly adopted the going-concern basis in preparing the consolidated and separate financial statements. The group's independent auditor, PricewaterhouseCoopers Inc., have audited the consolidated and separate financial statements and their unqualified report appears on page 7. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and

related data, including minutes of all meetings of shareholders, the board of directors of City Lodge Hotels Limited (the board) and committees of the board. The directors believe that all representations made to the independent auditor during their audit are valid and appropriate.

The board recognises and acknowledges its responsibility for the group's systems of internal financial control. The group adheres to a code of conduct, which covers ethical behaviour and compliance with legislation. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated by the directors who confirm that they have reviewed the effectiveness thereof. The directors consider that the systems are appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by the internal auditor and the independent auditor's testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the company and the underlying subsidiaries.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of City Lodge Hotels Limited, as set out on pages 1 to 68 were approved by the board of directors on 08 September 2023 and signed on its behalf by:



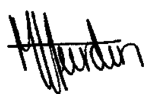
Andrew Widegger
Chief executive officer



Dhanisha Nathoo
Chief financial officer

Certificate by the company secretary

In terms of section 88(2)(e) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission, all such returns and notices required of a public company in terms of the Companies Act, No. 71 of 2008, as amended, in respect of the financial year ended 30 June 2023 and that all such returns are true, correct and up to date.



Melanie van Heerden
Company secretary

08 September 2023

Chief executive officer and chief financial officer's responsibility statement

for the year ended 30 June 2023

Each of the directors whose names are stated below hereby confirm that:

- (i) the annual financial statements set out on pages 1 to 68, fairly present in all material respects the financial position, financial performance and cash flows of City Lodge Hotels Limited in terms of IFRS;
- (ii) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (iii) internal financial controls have been put in place to ensure that material information relating to City Lodge Hotels Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of City Lodge Hotels Limited;
- (iv) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- (v) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- (vi) we are not aware of any fraud involving directors.



Andrew Widegger
Chief executive officer



Dhanisha Nathoo
Chief financial officer

Report of the audit committee

for the year ended 30 June 2023

Dear Stakeholders

The audit committee plays a vital role ensuring the integrity of the group's financial controls and integrated reporting in identifying and managing financial risk. This report is provided by the audit committee in compliance with the Companies Act, and as recommended by King IV™.

COMPOSITION AND MEETINGS

The committee comprises five independent non-executive directors. All appointed directors satisfied the requirements of section 94(4) of the Companies Act and King IV™ recommendations. As a collective and considering the size and circumstances of the group, the committee is adequately skilled, and all members possess the appropriate financial and related qualifications, skills and financial expertise and experience required to discharge their responsibilities.

The committee met three times during the year, as per the committee's mandate and terms of reference. The group chief executive officer, chief financial officer and representatives from external audit and internal audit attend each meeting by invitation. The committee chairman engages regularly with management on material matters and external auditors and internal auditors have direct access to the committee.

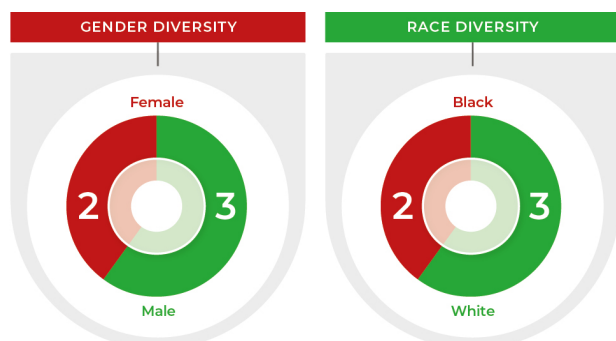
Meeting attendance

Members	Meeting attendance		
	September 2022	February 2023	May 2023
Stuart Morris (chairman)	1	1	1
Deon Huysamer	1	1	1
Frank Kilbourn ¹	1		
Andrew Lapping	1	1	1
Ndumi Medupe	1	1	1
Mathukana Mokoka	1	1	1
By invitation			
Andrew Widgegger (CEO) ²	1	1	1
Dhanisha Nathoo (CFO) ²	1	1	1

¹ Shareholders were advised that in accordance with paragraph 3.59 of the JSE Listings Requirements, on 16 September 2022, that Frank Kilbourn would be stepping down as a member of the audit committee with effect from 24 November 2022.

² Executive director

Gender and race diversity



STATUTORY DUTIES

The audit committee is satisfied that it considered, executed and discharged its responsibilities during the year in accordance with its mandate as described above.

The committee has considered the independence of the company's external auditor, PricewaterhouseCoopers Inc., and is satisfied that, for the year under review, the external auditor is independent. The committee adopts a work plan annually, in advance, in order to manage the discharge of its responsibilities under the Companies Act, King IV™, its own charter and the JSE Listings Requirements.

The committee agreed to the engagement letter, terms, external audit plan and fees for the 2023 financial year.

In accordance with the company's non-audit services policy, the committee considered and pre-approved all non-audit services provided by the external auditor, ensuring that the independence of the external auditor is not compromised.

It has also considered that the appropriate financial reporting procedures exist and are working, which includes consideration of all entities included in the consolidated group financial statements.

The committee, excluding management invitees, met with both the external and internal auditors in order to discuss any issues relevant to the audit as well as to consider the resources and adequacy of the finance function, in particular the expertise and experience of the chief financial officer. The committee is satisfied with the appropriateness of the expertise and experience of the chief financial officer.

The committee, excluding both the external and internal auditors, met with management invitees in order to discuss any issues relevant to the audit as well as to consider the quality and effectiveness of the external and internal audit process and concluded that both were adequate.

After assessing the requirements set out in the Companies Act, the committee is satisfied with the independence and objectivity of the external auditor.

The audit committee has requested all findings by the Independent Regulatory Board for Auditors or any other regulatory bodies, and the associated responses and reviews undertaken by the auditor. There are no significant matters to report on in this regard.

INTERNAL CONTROL

The audit committee has considered and approved the group's system of internal financial controls, based on the reports received from the external auditor, reports on hotel visits and internal financial control testing by the internal auditor, and confirms that no material breakdown of internal controls has taken place during the year.

SOLVENCY AND LIQUIDITY

The committee is satisfied that the board has performed a solvency and liquidity test on the group and company and has concluded that the group and company satisfy the test, on the basis of the continued availability of borrowing facilities, the improved operational performance during the last financial year, and on the ongoing performance forecast for the next 12 months.

Following our review, and having regard to all material factors and risks that may impact the financial statements, we accordingly recommended the consolidated and separate financial statements of City Lodge Hotels Limited for the year ended 30 June 2023 to the board of directors for approval on 08 September 2023.

Stuart Morris
Chairman of the audit committee

08 September 2023

Directors' report

for the year ended 30 June 2023

NATURE OF BUSINESS

The company is a South African incorporated public company domiciled in the Republic of South Africa. The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller. There have been no material changes in the nature of the group's and company's business from the prior year.

FINANCIAL RESULTS

The financial results of the group for the year are set out in the consolidated financial statements and accompanying notes thereto. Group profit after taxation for the year amount to R163.7 million (2022: profit of R81.7 million), resulting in basic earnings per share of 28.6 cents per share, diluted, compared to 14.3 cents per share, diluted, in the prior year. Headline earnings amounted to R173.3 million (30.3 cents per share, diluted) compared to a headline loss of R49.5 million (8.6 cents per share, diluted) in the previous year. Net asset value per share improved to 196 cents from 171 cents in the prior year.

The group generated positive cash flows from operations of R356.1 million (2022: R122.0 million).

The company's interest in its subsidiaries' loss after taxation amount to R12.8 million (2022: R14.5 million).

DIVIDENDS

INTERIM

As a result of the improved performance during the first six months of the year, the board approved an interim dividend of 5 cents per share (4 cents net after deducting withholding tax) on 24 February 2023 (2022: nil).

FINAL

The board has approved a final ordinary dividend of 8.00 cents per ordinary share (6.40 cents net after deducting withholding tax) in respect of the year ended 30 June 2023 (2022: nil). The source of the dividend will be from distributable reserves. The dividend will be payable on 2 October 2023 to shareholders registered in the company's securities register on 29 September 2023.

STATED CAPITAL

There was no change in authorised and issued share capital of the company during the year under review. The company has authorised share capital of 10 000 000 000 ordinary no par value shares and issued share capital of 609 859 502 (2022: 609 859 502) ordinary no par value shares.

SUBSIDIARIES

Details relating to interest in subsidiaries are included in note 4.

INTEREST-BEARING BORROWINGS

In the prior year, the group secured a new loan re-finance package with its lenders, which provides total debt facilities of R600.0 million, and overdraft facilities of R115.0 million. The debt facilities offer more favourable pricing and covenant measures and mature between June 2025, and June 2027.

On 7 July 2022, the group repaid R300.0 million of Facility 1 and Facility 3 revolving credit facilities of the total outstanding debt of R600.0 million, utilising the proceeds from the sale of the East African operations. During the year, the group agreed the conversion of Facility 2, a R300.0 million fully drawn facility, from a term loan to a revolving credit facility, with its funders. All other remaining terms and conditions remain unchanged.

GOING CONCERN

The consolidated and separate financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available liquidity and access to available debt facilities and the other measures the group has taken (refer to note 34), the directors believe that the group and company have sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

SUBSEQUENT EVENTS

On 6 July 2023, the group repaid R200 million of the outstanding R300.0 million loan facility. Hereafter, the group has access to R500.0 million in undrawn loan facilities and R115 million in overdraft facilities. Further details are included in note 32 and 33.

On 14 August 2023, the group entered into a sale agreement for the City Lodge Hotel Katherine Street property. The sale agreement includes a restriction on use of the property for short-term accommodation purposes. The completion of the transaction is dependent on the fulfilment of the conditions precedent, including the conclusion of a due diligence. The consideration for the sale is expected to be R80.0 million.

Other than the above, the directors are not aware of any matter or circumstance arising since the reporting date and the date of this report.

Directors' report continued

for the year ended 30 June 2023

DIRECTORATE

There have been no changes to the directorate during the year under review. Directors of the company are set out below:

	Appointed
Independent non-executive	
Bulelani Ngcuka (Chairman)	2008
Frank Kilbourn (Deputy Chairman)	1996
Deon Huysamer	2015
Andrew Lapping	2021
Dr. Sizakele Marutlulle	2016
Ndumi Medupe	2006
Mathukana Mokoka	2022
Stuart Morris	2006
Non-executive	
Stephen Enderle	2021
Executive	
Andrew Widegger (CEO)	1994
Dhanisha Nathoo (CFO)	2020
Lindiwe Siddo (COO)	2018

In terms of the memorandum of incorporation, Deon Huysamer, Dr Sizakele Marutlulle, and Stuart Morris, will retire by rotation at the forthcoming annual general meeting. Deon Huysamer and Dr Sizakele Marutlulle are eligible and have offered themselves for re-election, while Stuart Morris, being eligible, has indicated his intention, after 17 years of service, to retire from the Board and Audit, Risk and Remuneration and Nominations Committees post conclusion of the AGM.

DIRECTORS' EMOLUMENTS

No material contracts in which the directors have an interest were entered into during the year under review. Refer to note 21 of the consolidated and separate financial statements for details of the group's executive management compensation.

COMPANY SECRETARY

Mrs M C van Heerden
City Lodge Hotels Limited
The Lodge, Bryanston Gate Office Park
Corner Homestead Avenue and Main Road
Bryanston
Johannesburg, 2191
(PO Box 97, Cramerview, 2060)

EXTERNAL AUDITOR

PricewaterhouseCoopers Inc. were re-appointed into office at the company's 2022 annual general meeting in accordance with section 90 of the Companies Act of South Africa, to report on the financial year ending 30 June 2023. They will continue in office in accordance with section 90 of the Companies Act of South Africa.

MATERIAL SHAREHOLDERS

Beneficial shareholders holding 5% or more of the company's listed ordinary shares as at 30 June 2023 were as follows:

	%	
Enderle SA	8.9%	54 358 553
Entertainment Holdings	8.2%	50 001 729
Allan Gray	8.0%	48 575 098



Independent auditor's report

To the Shareholders of City Lodge Hotels Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of City Lodge Hotels Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

City Lodge Hotels Limited's consolidated and separate financial statements set out on pages 16 to 64 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with


PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview

	<p>Overall group materiality</p> <ul style="list-style-type: none"> Overall group materiality: R20.9 million, which represents 5% of the 5 year average absolute consolidated profit/loss before taxation.
	<p>Group audit scope</p> <ul style="list-style-type: none"> Full scope audits were performed on 2 significant components based on their contribution to total consolidated revenue, total consolidated profit/loss before taxation, total consolidated assets and total consolidated liabilities of the Group and risk characteristics of the respective component. An audit was performed over specific account balances for 1 component. Analytical review procedures were performed over the remaining 11 components considered to be insignificant to the Group.
	<p>Key audit matter</p> <ul style="list-style-type: none"> Impairment assessment of Property, plant and equipment and Right-of-use assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	R20.9 million
<i>How we determined it</i>	5% of the 5 year average absolute consolidated profit/loss before taxation.
<i>Rationale for the materiality benchmark applied</i>	<p>Due to the volatility in the Group’s earnings, we chose an average of the past 5 years profit/loss before taxation as the benchmark to be used. In our view, profit/loss before taxation is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>We chose 5% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply to groups operating within this industry.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has hotel operations in South Africa, Botswana, Namibia and Mozambique. In addition, the Group has centralised functions, property holding companies and investment holding companies domiciled in South Africa.

The consolidated financial statements are a consolidation of the Group’s hotel operations, investment and property holding companies and centralised functions (each considered to be a ‘component’ for purposes of our group scoping).

We performed full scope audits on 2 components that were considered to be significant to the Group based on their contribution to total consolidated revenue, total consolidated profit/loss before taxation, total consolidated assets and total consolidated liabilities of the Group and risk characteristics of the respective component. Furthermore, we performed an audit over specific account balances for 1 component to ensure that sufficient coverage was obtained over the consolidated financial statements. Analytical review procedures were performed over the remaining 11 components that were considered to be insignificant to the Group.

In establishing the overall approach to the Group audit, we determined the work to be performed by us, as the group engagement team. Further substantive audit procedures were also performed by the group engagement team over the consolidation process.

The extent of work performed on the components within the Group provided us with sufficient and appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of Property, plant and equipment and Right-of-use assets</i></p> <p>This key audit matter relates to the consolidated and separate financial statements.</p> <p>A significant portion of the Group and Company's total assets comprise property, plant and equipment (PPE) and right-of-use (ROU) assets. PPE constitutes those assets owned by the Group and Company while ROU assets relate to land and/or buildings leased by the Group and Company.</p> <p>As at 30 June 2023, the carrying value of the Group and Company's PPE amounted to R1.69 billion and R1.18 billion respectively against which an impairment reversal of R29.99 million and an impairment loss of R14.23 million was recognised for the Group and Company respectively.</p> <p>As it relates to ROU assets, the Group and Company has recognised ROU assets amounting to R1.01 billion and R0.93 billion respectively, against which an impairment loss of R 47.44 million has been recognised for both the Group and Company.</p> <p>At the end of each reporting period, the Group and Company review the carrying amounts of each hotel (which is considered to be an individual cash-generating unit (CGU)) to determine whether there are any indications of</p>	<p>Our audit addressed this key audit matter as follows:</p> <p>We assessed whether there were any impairment indicators for each CGU in terms of International Accounting Standard 36, Impairment of Assets (IAS 36), based on our knowledge of the entity, discussions with management and by considering the actual to budget performance for each CGU. No other impairment indicators were identified that were not already identified by management.</p> <p>We assessed management's definition and composition of a CGU by comparing it to the principles contained in IAS 36 to confirm that each individual hotel meets the definition of a CGU. No material exceptions were noted.</p> <p>We obtained an understanding of management's budgeting process (which formed the basis for the cash flows used in the DCF model) which included controls in relation to the following:</p> <ul style="list-style-type: none"> ● setting, reviewing and approval of budgets by the Group; and ● approval of budgets by the board of directors. <p>We assessed the reliability of the budgeting process, by comparing the prior period budgeted results for the Group to the current financial year's actual results of the Group. We further compared post year-end budgeted information to post year-end actual results to understand management's ability to follow a robust budgeting</p>

Key audit matter	How our audit addressed the key audit matter
<p>impairment. If any such indication exists, then the CGUs recoverable amount is determined.</p> <p>Following the recovery from the Covid-19 pandemic and the increased risk and inflation caused by the global geo-political tensions during the financial year, the recoverable amount of each individual CGU that had an impairment indicator was determined.</p> <p>The recoverable amount of each individual CGU was determined as the higher of value-in-use (VIU) and fair value less cost of disposal (FVLCD). A discounted cash flow (DCF) model was applied by projecting cash flows over a five-year period.</p> <p>In determining the cash flows for established and newer hotels, significant judgement and estimation was applied in determining the occupancy levels of the hotels, room rates and operating expenses. Furthermore, significant judgement is applied in determining the terminal growth rates and discount rates to be used in the DCF model.</p> <p>The impairment assessment of PPE and ROU assets was considered to be a matter of most significance to our current year audit of the consolidated and separate financial statements due to:</p> <ul style="list-style-type: none"> ● the significant judgements and estimation applied in determining the cash flows, terminal growth rates and discount rates; and ● the magnitude of the carrying amounts of the Group and Company's PPE and ROU assets and the corresponding impairment and impairment reversals recognised in relation to the consolidated and separate financial statements. 	<p>process that results in credible budgets, and evaluated differences noted against underlying documentation and explanations obtained from management. Where the budgeted numbers significantly differed from the actual results, we obtained corroboration from management which we considered to be reasonable explanations and consistent with other evidence obtained during the audit.</p> <p>We tested the mathematical accuracy of the DCF model and with the assistance of our valuations expertise we assessed whether the DCF model is consistent with market practice and the applicable requirements of IAS 36 - <i>Impairment of Assets</i>. The assessment of the DCF model was performed on a sample of individual CGUs and the valuation principles were replicated across the CGUs assessed. We did not note any aspect which required further consideration.</p> <p>For the base year (financial year 2024) used in the DCF model, we agreed the cash flow forecasts to the budget approved by the board of directors. No material exceptions were noted.</p> <p>We tested the reasonableness of the assumptions applied by management in their base year and future years by performing the following procedures:</p> <ul style="list-style-type: none"> ● Discussions with management to understand the basis for the assumptions used in respect of the cash flows and corroborated their explanations by evaluating: <ul style="list-style-type: none"> ● the past performance of the CGU and the post-year end performance of the CGU; ● the consistency with external market and industry data; and

Key audit matter	How our audit addressed the key audit matter
<p>Refer to the following disclosures in the financial statements as it relates to this key audit matter:</p> <ul style="list-style-type: none"> Accounting policies, Significant accounting policies, Significant judgements and estimates : Impairment of property, plant and equipment and right-of-use assets; Accounting policies, Significant accounting policies, Impairments: Non-financial assets; Note 1: Property, plant and equipment; and Note 2: Right-of-use assets. 	<ul style="list-style-type: none"> the corroboration of strategic initiatives with evidence obtained from independent sources and in other areas of the audit. We assessed the reasonableness of the occupancy percentages and rates applied in management's revenue forecasts to historical actual trends and post-year end trends. We assessed the reasonableness of capital expenditure and working capital movements applied by management in the DCF model by agreeing these to historical actual trends. <p>Based on our procedures performed above, we found the assumptions applied by management to be reasonable.</p> <p>Making use of our valuations expertise, the reasonableness of the terminal growth rates was assessed by comparing the terminal growth rates to long term growth rates obtained from independent sources. The growth rates used by management were accepted as comparable.</p> <p>With the assistance of our valuation expertise we independently calculated a discount rate taking into account independently obtained data such as the cost of debt, cost of leases, risk free rates in the market, market risk premiums adjusted for specific risks relating to the relevant CGUs, small stock premiums, debt-equity ratios and the betas of comparable companies. The assessment of the discounted rate performed by our valuation experts was performed on a sample of individual CGUs and the valuation principles were replicated across the CGUs assessed.</p> <p>We determined that the discount rate used by management was not within our estimated range. We applied our independently calculated discount rate to the DCF used by management to quantify</p>

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>the impact on the impairment/impairment reversal processed by management. No material exceptions were noted after we applied our independently calculated discount rate.</p> <p>We assessed the reasonableness of the discount rates, terminal growth rates and net cash flows by performing a sensitivity analysis to determine the impact that a change in discount rates, terminal growth rates and net cash flows would have on the discounted cash flow analysis and the resultant recoverable amount. We compared the results of our sensitivity analysis to management's impairment results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes. We did not note any aspects requiring further consideration.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "City Lodge Hotels Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' report, the Report of the audit committee and the Certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "City Lodge Hotels Integrated annual report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the



consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of City Lodge Hotels Limited for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: AM Motaung
Registered Auditor
Johannesburg, South Africa
8 September 2023

Statements of financial position

as at 30 June 2023

R000	Notes	GROUP		COMPANY	
		2023	2022	2023	2022
Assets					
Non-current assets					
		2 732 330	2 662 149	2 140 738	2 207 894
Property, plant and equipment	1	1 687 829	1 576 876	1 182 484	1 143 964
Right-of-use assets	2	1 010 852	1 040 867	926 347	946 695
Intangible assets and goodwill	3	22 275	33 659	22 275	33 659
Interest in subsidiaries	4.1	-	-	8 832	8 832
Loan to subsidiary	4.2	-	-	-	62 800
Investments		800	800	800	800
Loan receivable	5	-	-	-	11 144
Deferred taxation	6	10 574	9 947	-	-
		489 019	620 071	444 383	257 741
Current assets					
Inventories	7	7 277	5 043	6 690	4 872
Trade receivables	29.5	65 783	47 164	63 658	45 794
Other receivables	8	87 474	560 964	54 208	207 075
Taxation receivable		140	159	-	-
Cash and cash equivalents		328 345	6 741	319 827	-
Total assets		3 221 349	3 282 220	2 585 121	2 465 635
Equity					
Capital and reserves					
		1 117 984	975 281	876 054	757 976
Stated capital	9	1 324 717	1 324 717	1 324 717	1 324 717
Treasury shares	10	(504 729)	(507 669)	(504 729)	(488 991)
Other reserves	11	71 283	66 546	66 742	61 646
Retained earnings/(accumulated losses)		226 713	91 687	(10 676)	(139 396)
Liabilities					
Non-current liabilities					
		1 770 169	1 759 765	1 348 509	1 231 284
Interest-bearing borrowings	12	300 000	400 000	-	-
Lease liabilities	13	1 416 086	1 338 594	1 295 085	1 210 796
Provisions		10 696	8 696	10 696	8 696
Deferred taxation	6	43 387	12 475	42 728	11 792
		333 196	547 174	360 558	476 375
Current liabilities					
Financial guarantee liability	14	-	-	4 293	5 745
Taxation payable		2 622	-	1 843	-
Trade and other payables	15	294 085	245 122	327 014	375 449
Interest-bearing borrowings	12	-	200 000	-	-
Lease liabilities	13	36 489	35 964	27 408	29 116
Bank overdraft		-	66 088	-	66 065
Total liabilities		2 103 365	2 306 939	1 709 067	1 707 659
Total equity and liabilities		3 221 349	3 282 220	2 585 121	2 465 635

Statements of profit or loss and other comprehensive income

for the year ended 30 June 2023

R000	Notes	GROUP		COMPANY	
		2023	2022*	2023	2022*
Revenue	16	1 714 729	1 103 913	1 643 850	1 006 095
Other income	17	36 412	5 880	101 888	26 760
Expected credit loss on trade receivables		(2 448)	3 920	(2 094)	4 960
Salaries and wages		(492 694)	(372 662)	(472 512)	(334 434)
Property costs		(170 978)	(143 547)	(166 109)	(132 878)
Food and beverage costs*		(124 798)	(74 438)	(119 648)	(64 192)
Rooms related costs*		(189 584)	(125 048)	(181 192)	(115 781)
Unrealised gains on foreign exchange*		40 445	80 794	-	-
Other operating costs*	18	(268 772)	(180 980)	(291 214)	(164 101)
Depreciation and amortisation		(65 491)	(90 545)	(56 375)	(80 823)
Depreciation - right-of-use assets		(95 090)	(90 153)	(84 069)	(82 869)
Impairment reversal/(loss) on property, plant and equipment	1	29 990	(63 562)	(14 233)	(39 273)
Impairment (loss)/reversal on right-of-use assets	2	(47 449)	120 739	(47 449)	84 581
Impairment loss on goodwill	3	(8 979)	-	(8 979)	-
Impairment loss on other receivables	8	-	-	(12 037)	(126 688)
Impairment reversal on loan receivable		-	-	-	1 241
Operating profit/(loss)		355 293	174 311	289 827	(17 402)
Profit/(loss) on disposal of East Africa operations	20	-	88 275	-	(414)
Interest income	22.1	12 214	824	15 956	5 046
Interest expense	22.2	(148 426)	(179 482)	(109 274)	(113 152)
Profit/(loss) before taxation		219 081	83 928	196 509	(125 922)
Taxation	23	(55 332)	(2 198)	(46 549)	17 506
Profit/(loss) for the year		163 749	81 730	149 960	(108 416)
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences (non-taxable)		(359)	(43 866)	-	-
Realisation of foreign currency translation reserve	11	-	(8 578)	-	-
Total comprehensive income for the year		163 390	29 286	149 960	(108 416)
Basic earnings per share (cents)	28	28.6	14.3		
Basic diluted earnings per share (cents)	28	28.6	14.3		

* The comparative period has been re-presented as to disclose food and beverage costs as a separate line due to the material increase in spend during the current year as a result of the increased food and beverage revenues. Rooms related costs and unrealised gains on foreign exchange were re-represented and included as separate line items in the current year due to management's view that the inclusion of these items will provide more valuable information to the users of the financial statements. In the prior year food and beverage costs of R74.4 million (company - R64.2 million), rooms related costs of R125.0 million (company - R115.8 million) and unrealised gains on foreign exchange of R80.8 million (company - Rnil) were included within other operating costs.

Statements of cash flows

for the year ended 30 June 2023

R000	Notes	GROUP		COMPANY	
		2023	2022	2023	2022
Cash inflow from operating activities		356 096	121 984	313 758	189 744
Cash generated by operations	27.1	539 473	265 802	449 569	260 969
Interest received		12 214	824	15 956	5 046
Interest paid		(26 301)	(54 749)	(2 816)	(4 716)
Interest paid - leases	13	(118 578)	(127 014)	(106 458)	(108 436)
Taxation (paid)/refunded	27.2	(21 989)	37 121	(13 770)	36 881
Dividends paid	24	(28 723)	-	(28 723)	-
Cash inflow/(outflow) from investing activities		372 387	(37 407)	106 475	(142 670)
Investment to maintain operations	27.3	(97 375)	(10 050)	(96 897)	(9 958)
Investment to expand operations	27.4	(9 616)	(6 024)	(9 616)	(6 024)
Advances to subsidiary		-	-	(30 321)	(126 688)
Repayments by subsidiary		-	-	22 253	-
Repayment of loan due by subsidiary	4.2	-	-	62 800	-
Proceeds on disposal of East Africa operations	20	479 378	-	158 256	-
Cash transferred on disposal of East Africa operations		-	(21 333)	-	-
Cash outflow from financing activities		(341 323)	(75 486)	(34 341)	(22 510)
Capital repayment of lease liabilities	13	(35 571)	(25 486)	(28 589)	(22 510)
Purchase of incentive scheme shares	10	(5 752)	-	(5 752)	-
Proceeds from interest-bearing borrowings	12	-	70 000	-	-
Repayments of interest-bearing borrowings	12	(300 000)	(120 000)	-	-
Net increase in cash and cash equivalents		387 160	9 091	385 892	24 564
Cash and cash equivalents at the beginning of year		(59 347)	(69 497)	(66 065)	(90 629)
Effect of movements in exchange rates on cash held		532	1 059	-	-
Cash and cash equivalents at the end of year		328 345	(59 347)	319 827	(66 065)

Statements of changes in equity

for the year ended 30 June 2023

R000	Notes	Stated capital	Treasury shares	Other reserves	Retained earnings	Total
GROUP						
Balance as at 30 June 2021		1 324 717	(510 928)	112 611	9 957	936 357
Total comprehensive income for the year		-	-	(52 444)	81 730	29 286
Profit for the year		-	-	-	81 730	81 730
Foreign currency translation differences		-	-	(52 444)	-	(52 444)
Transactions with owners, recorded directly in equity		-	3 259	6 379	-	9 638
Incentive scheme shares	10, 11	-	3 259	(3 259)	-	-
Share compensation reserve	11	-	-	9 638	-	9 638
Balance as at 30 June 2022		1 324 717	(507 669)	66 546	91 687	975 281
Total comprehensive income for the year		-	-	(359)	163 749	163 390
Profit for the year		-	-	-	163 749	163 749
Foreign currency translation differences		-	-	(359)	-	(359)
Transactions with owners, recorded directly in equity		-	2 940	5 096	(28 723)	(20 687)
Incentive scheme shares	10, 11	-	2 940	(8 692)	-	(5 752)
Share compensation reserve	11	-	-	13 788	-	13 788
Dividends paid	24	-	-	-	(28 723)	(28 723)
Balance as at 30 June 2023		1 324 717	(504 729)	71 283	226 713	1 117 984

R000	Notes	Stated capital	Treasury shares	Other reserves	Accumulated losses	Total
COMPANY						
Balance as at 30 June 2021		1 324 717	(492 250)	55 267	(30 980)	856 754
Total comprehensive income for the year		-	-	-	(108 416)	(108 416)
Loss for the year		-	-	-	(108 416)	(108 416)
Transactions with owners, recorded directly in equity		-	3 259	6 379	-	9 638
Incentive scheme shares	10, 11	-	3 259	(3 259)	-	-
Share compensation reserve	11	-	-	9 638	-	9 638
Balance as at 30 June 2022		1 324 717	(488 991)	61 646	(139 396)	757 976
Total comprehensive income for the year		-	-	-	149 960	149 960
Profit for the year		-	-	-	149 960	149 960
Transactions with owners, recorded directly in equity		-	(15 738)	5 096	(21 240)	(31 882)
Incentive scheme shares	10, 11	-	2 940	(8 692)	-	(5 752)
Share compensation reserve	11	-	-	13 788	-	13 788
Aggregation of employees share trust	10	-	(18 678)	-	7 483	(11 195)
Dividends paid	24	-	-	-	(28 723)	(28 723)
Balance as at 30 June 2023		1 324 717	(504 729)	66 742	(10 676)	876 054

Accounting policies

for the year ended 30 June 2023

REPORTING ENTITIES

City Lodge Hotels Limited (the company) is a company domiciled in South Africa. The group financial statements for the year ended 30 June 2023 comprise the company and its subsidiaries (together referred to as the group).

The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller.

Where reference is made to 'group', it should be interpreted as company where the context requires and unless otherwise stated.

BASIS OF PREPARATION

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the company's functional and group's presentation currency, rounded to the nearest thousand unless indicated otherwise.

BASIS OF MEASUREMENT

These financial statements are prepared on the historical cost basis with the exception of the financial guarantee liability which is initially recognised at fair value.

STATEMENT OF COMPLIANCE

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board, the Listings Requirements of JSE Limited, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008 of South Africa. These group and company financial statements were authorised for issue by the board of directors on 08 September 2023.

THE ASSESSMENT OF SHOCK EVENTS

Russia-Ukraine conflict

The group does not have direct exposure, largely because of not having significant suppliers, vendors or customers in the affected countries. Indirectly, the most likely impact will be on the overall economic uncertainty and negative impacts on the global economy.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out on the following pages have been applied consistently by all group entities to all periods presented in these financial statements, except as indicated otherwise in the case of new and amended standards adopted by the group.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The group adopted all the new revised or amended accounting pronouncements as issued by the IASB which were effective from 1 July 2022 which have had no material impact on the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

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

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

Information about significant areas of estimation, uncertainty and critical judgements, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in relation to the following:

Leases

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. These extension and termination options are included in a number of the lease agreements across the group and are used to maximise operational flexibility in terms of managing the assets used in the group's operations.

The group's leasing portfolio comprises leases in relation to leases of land and/or buildings for its hotel operations. These lease agreements have varying tenures from 2 years to 30 years. The agreements also contain options to extend for up to 5 renewal periods.

The extension options (or periods after termination options) have been considered and where certain, one lease renewal period has been included in the lease term, due to the long tenure for the majority of the leases and to ensure that management maintains operational flexibility within the group as the location and business environment to which the hotel operates does change over time. All extension and termination options held are exercisable by the group and not by the respective lessor. The group assesses the certainty of renewal extensions annually, and evaluates all leases renewals with a renewal date within two years of the reporting date.

All future cash outflows have been included in the lease liability.

Refer to note 2 Right-of-use assets and note 13 Lease liabilities for details of specific leases that have been remeasured during the current year due to changes in the lease term.

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

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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairments as set out in note 1, explains the significant areas of estimation, uncertainty and critical judgements, in applying accounting policies which have the most significant effect on the amounts recognised in the financial statements.

Financial guarantees

The valuation of the guarantees includes assumptions on credit default rates, credit risks, credit ratings and ECLs. The ECL model includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor for each underlying borrower.

The capital on the loans is repayable at the end of the loan term. Refer to note 14 for methodology and assumptions used in measuring the expected credit loss for financial guarantees.

BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired and liabilities assumed. For a business combination achieved in stages, the pre-existing equity interest in the acquiree is measured at fair value at the acquisition date. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

CONSOLIDATION

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried at cost less accumulated impairment adjustments in the company's separate financial statements.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

GOODWILL

Goodwill represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition and if a business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.

Goodwill is stated at cost less accumulated impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of the CGUs have been determined based on the higher of fair value less costs to sell and value-in-use calculations.

FOREIGN TRANSACTIONS AND BALANCES

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date with the resultant translation differences being credited or charged to profit or loss.

FOREIGN SUBSIDIARIES - TRANSLATION

Once-off items in the statement of profit or loss and other comprehensive income and statement of cash flows of foreign subsidiaries expressed in currencies other than the South African rand are translated to South African rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. All translation exchange differences arising on the retranslation of opening net assets together with differences between statement of comprehensive income translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Accounting policies continued

for the year ended 30 June 2023

STRUCTURED ENTITIES

The group established a number of structured entities for the purposes of the B-BBEE transaction in 2008. The group did not have any direct or indirect shareholdings in these entities. The group guaranteed the funding of the structured entities and as such it was deemed to control these structured entities resulting in the incorporation of the structured entities into the company and group financial statements.

The company is considered to be the sponsor entity of the structured entities as the structured entities are acting as an agent of the company and are therefore aggregated into the separate financial statements.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is stated at cost and is not depreciated. Freehold and leasehold buildings are stated at cost and depreciated over periods of up to 50 years as deemed appropriate to reduce carrying values to estimated residual values over their useful lives. Buildings under construction are not depreciated.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Borrowing costs incurred on funds raised to erect hotel buildings (qualifying assets) are capitalised up to the date that the activities necessary to prepare the hotel for its intended use are substantially complete.

Depreciation is charged to profit or loss to write off the cost of the asset to its estimated residual value on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Depreciation commences the month following acquisition. The estimated useful lives are currently as follows:

Buildings	10 to 50 years
Furniture and equipment	5 to 10 years (2022: 3 to 5 years)
Infrastructure	5 to 30 years

Leasehold improvements are written off over the initial period of the lease.

The residual values, depreciation methods, and useful lives are reassessed annually.

Gains or losses arising on the disposal of property, plant and equipment are included in profit or loss.

LEASES

As a lessee

The group recognises right-of-use assets and corresponding lease liabilities on the statement of financial position at the date at which the leased asset is available for use by the group. Each lease payment is allocated between liability and interest expense. The interest expense is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). Variable lease payments that depend on an index or a rate and are initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For leases of property for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The group has no residual value guarantees.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment and small items of furniture.

Where the group reassesses the terms of any lease (i.e. it reassesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the

standalone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the day of the reassessment or modification.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced due to any further reduction in the measurement of the lease liability it is recognised in profit or loss.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a standalone price for the increased scope, the group accounts for the modifications as a separate new lease. This accounting treatment equally applies to leases for which the group elected the short-term lease exemption, and when the lease terms are subsequently modified.

INTANGIBLE ASSETS

Internally developed trademarks are not recognised. Expenditure to enhance and maintain such trademarks is charged in full against profit or loss.

Expenditure on research activities is recognised in profit or loss as incurred.

Software development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, software development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives are as follows:

Software costs	10 to 15 years (2022: 5 to 10 years)
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

IMPAIRMENTS

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate or estimated using a price to earnings ratio that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

PRE-OPENING EXPENSES

Pre-opening expenses of new hotels are charged directly against profit or loss as incurred.

ASSET REPLACEMENT RESERVE

Asset replacement reserve relates to advances to the Courtyard Hotel Rosebank and Courtyard Hotel Sandton for future capital expenditure for refurbishments and redevelopments, and are capitalised as the costs are incurred.

INVENTORIES

Inventory is stated at the lower of cost and net realisable value, on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months and bank overdrafts. Bank overdrafts are treated as cash and cash equivalents within current liabilities on the statement of financial position.

Bank overdrafts are only offset in the statement of cash flows if they meet the following criteria: (i) repayable on demand, (ii) integral to cash management and (iii) fluctuates between positive and overdrawn.

Accounting policies continued

for the year ended 30 June 2023

TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. Deferred taxation is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income in which case it is recognised in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income in which case it is recognised directly in equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:

- differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid, recognised directly in equity.

FINANCIAL INSTRUMENTS

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

The group has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime credit losses on all balances using the provision matrix. The balance of the group's financial assets measured at amortised cost are other receivables, loan receivables and cash and cash equivalents to which the general model is applied.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, using the effective interest method.

Non-derivative financial liabilities

The group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Interest expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortised cost of the financial liability.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations expire or are discharged or cancelled. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In order to determine if a financial liability's terms have been modified, the company examines whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liability, using the original effective interest rate. If the difference is 10% or greater, the existing liability is derecognised and a new financial liability is recognised. In order to perform this assessment, the company applies the discount rate at the date of modification.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

STATED CAPITAL AND EQUITY

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

TREASURY SHARES

Ordinary shares held by the former B-BBEE structured entities are treated as treasury shares. Long-term incentive scheme shares for employees are treated as treasury shares.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

FINANCIAL GUARANTEE LIABILITY

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees issued by the company are initially measured at fair value and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

Subsequent movements in the measurement of the guarantee is included within other operating costs within the statement of profit or loss and other comprehensive income. The ECL's are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for the credit loss that it incurs. No fee is charged by the company for providing the guarantee to third parties. The fair value of the liability on initial recognition of guarantee liability between parent and subsidiary is recognised as a capital contribution and thus capitalised to interest in subsidiary.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled, in exchange for transferring goods or services to a customer. The group recognises revenue when it transfers control over goods or services to a customer.

The group recognises revenue from the following major sources:

- Accommodation;
- Food and beverage;
- Other revenue.

The transaction price is recorded as revenue when the performance obligations are satisfied.

Accommodation – the performance obligation is met when the accommodation service is consumed. Therefore, revenue is recognised at a point in time.

Food and beverage – the revenue is recognised at a point in time when the food and/or beverage is delivered to and accepted by the customer.

Other revenue – the revenue is recognised at a point in time. This comprises ancillary services and conferencing revenue and is recognised once the service is complete.

Customer payment terms utilising an incidental credit facility are within 30 days of statement.

Customers who purchase the group's services may join the group's customer loyalty programme and earn points that are redeemable against future purchases of the group's accommodation and related services. The points accumulate and expire after a period of three years. The group allocates a portion of the consideration received to loyalty points based on standalone selling prices. The amount allocated to the loyalty programme is deferred and is recognised as revenue when loyalty points are redeemed. When estimating standalone selling prices of the loyalty points, the group takes into account the expected redemption rate and the timing of such redemptions based on historical usage and forfeiture rates. The deferred revenue is recognised as contract liabilities, included in trade and other payables.

Accounting policies continued

for the year ended 30 June 2023

INTEREST INCOME AND EXPENSE

Interest income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Interest expense comprise interest expense on borrowings and leases. All borrowing costs, not directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss using the effective interest method.

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to salaries, bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The liability has been calculated at undiscounted amounts based on current salary rates.

Long service awards

The group recognises a liability and an expense for long service awards where cash is paid to employees at certain milestone dates in their careers within the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability has been disclosed under provisions in the statement of financial position.

RETIREMENT BENEFITS

Defined-contribution plans

Contributions to defined-contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

SHARE-BASED PAYMENT TRANSACTIONS

The share incentive schemes allow certain employees to acquire shares of the company.

The fair value of rights granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights. The fair value of the rights granted is measured using the stated models, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest, as well as for the number of share rights that is expected to vest in future, except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of restricted share plan shares granted are recognised as an employee expense over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted in the case of forfeiture due to termination of employment prior to vesting.

Share-based payment arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

The group manages a share trust and treats the share trust set up to facilitate the share-based payment arrangement as an agent, i.e., an extension of the company. In other words, shares held by the trust is treated as treasury shares of the company.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding, excluding treasury shares during the period.

Diluted EPS is determined by dividing profit for the year by the weighted average number of ordinary shares outstanding, excluding treasury shares plus all potential dilutive ordinary shares, which comprise share options granted to employees.

Headline earnings per share is calculated in terms of circular 1/2023 in the current year and 1/2021 in the prior year.

SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the group's CEO and senior management. The CODM reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM which are used to make strategic decisions. The CODM assesses the performance of the operating segments based on revenue and EBITDAR (Earnings before interest, income tax, depreciation, amortisation, rent and exceptional items).

Notes to the financial statements

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	(Restated)* 2022	2023	(Restated)* 2022
1. PROPERTY, PLANT AND EQUIPMENT				
At cost				
Land	144 523	137 815	1178	1 178
Buildings	2 196 083	2 149 452	1 698 343	1 693 035
- freehold	1 799 666	1 753 035	1 323 309	1 318 001
- leasehold	396 417	396 417	375 034	375 034
Buildings under construction	33 550	399	33 550	399
Furniture and equipment*	701 419	625 180	630 734	564 774
	3 075 575	2 912 846	2 363 805	2 259 386
Accumulated depreciation and impairment losses				
Buildings	833 025	816 381	688 311	639 314
- freehold	540 681	529 915	402 667	367 301
- leasehold	292 344	286 466	285 644	272 013
Furniture and equipment*	554 721	519 589	493 010	476 108
	1 387 746	1 335 970	1 181 321	1 115 422
Carrying amount				
Land	144 523	137 815	1178	1 178
Buildings	1 363 058	1 333 071	1 010 032	1 053 721
- freehold	1 258 985	1 223 120	920 642	950 700
- leasehold	104 073	109 951	89 390	103 021
Buildings under construction	33 550	399	33 550	399
Furniture and equipment	146 698	105 591	137 724	88 666
	1 687 829	1 576 876	1 182 484	1 143 964

* The prior year cost and accumulated depreciation of furniture and equipment has been restated to include net zero book value assets which are still in use of R164.9 million in the group (company R119.8 million), but were incorrectly disclosed as disposed assets. This only impacts the note disclosure between cost and accumulated depreciation and does not impact the face of the statement of financial position as the net book value impact is nil. The above item has no impact on the statements of profit or loss and other comprehensive income, cash flows, or changes in equity. The cost and accumulated depreciation was increased by R164.9 million in the group (company R119.8 million).

R000	Land	Buildings	Furniture and equipment	Total
Movements for the year				
Group - carrying amount				
Opening balance - 30 June 2021	132 092	1 409 319	130 513	1 671 924
Additions	-	92	9 958	10 050
Acquisition through business combination	-	8 007	-	8 007
Depreciation	-	(45 017)	(39 288)	(84 305)
Impairment (loss)/reversal	-	(67 972)	4 410	(63 562)
Gain/(loss) of foreign exchange movement	5 723	29 041	(2)	34 762
Closing balance - 30 June 2022	137 815	1 333 470	105 591	1 576 876
Additions	-	38 460	67 808	106 268
Disposals - cost	-	-	(1 371)	(1 371)
Disposals - accumulated depreciation	-	-	1 371	1 371
Depreciation	-	(37 473)	(24 680)	(62 153)
Impairment reversal/(loss)	-	33 577	(3 587)	29 990
Gain of foreign exchange movement	6 708	28 574	1 566	36 848
Closing balance - 30 June 2023	144 523	1 396 608	146 698	1 687 829

Notes to the financial statements continued

for the year ended 30 June 2023

R000	Land	Buildings	Furniture and equipment	Total
1. PROPERTY, PLANT AND EQUIPMENT <small>continued</small>				
Company - carrying amount				
Opening balance - 30 June 2021	1 178	1 121 246	117 430	1 239 854
Additions	-	-	9 958	9 958
Acquisition through business combination	-	8 007	-	8 007
Depreciation	-	(36 081)	(38 501)	(74 582)
Impairment loss	-	(39 052)	(221)	(39 273)
Closing balance - 30 June 2022	1 178	1 054 120	88 666	1 143 964
Additions	-	38 459	67 331	105 790
Disposals - cost	-	-	(1 371)	(1 371)
Disposals - accumulated depreciation	-	-	1 371	1 371
Depreciation	-	(34 085)	(18 952)	(53 037)
Impairment (loss)/reversal	-	(14 912)	679	(14 233)
Closing balance - 30 June 2023	1178	1 043 582	137 724	1 182 484

At 30 June 2023, properties in the group and company with a carrying amount of R31 6.4 million (2022: R312.4 million) are subject to a registered bond to secure interest-bearing borrowings (refer to note 12).

The estimated useful life of furniture and equipment has been revised during the current financial year due to the increased timeline between refurbishment plans, following the impact of Covid-19 on the refurbishment cycle. The useful life has been extended from 3 to 5 years, to 7 to 10 years. The change in the estimated useful life has resulted in a decrease in depreciation by R18.8 million.

A register of the land and buildings is available for inspection at the registered office of the company, a copy of which will be supplied to members of the public on request.

During the 2022 financial year, the group and company acquired six Courtyard Hotel sectional title units from independent owners, which are accounted for as acquisitions through business combination. There were no acquisitions in the current year.

The summary below provides the fair value of assets acquired and liabilities assumed at the acquisition date:

R000	GROUP	
	2023	2022
Property, plant and equipment	-	8 007
Deferred tax	-	(1 686)
Total identifiable net assets acquired	-	6 321

IMPAIRMENT (LOSSES) AND REVERSALS OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND GOODWILL

For the purposes of impairment testing, each hotel was assessed as an individual CGU.

Management assessed the carrying amount of property, plant and equipment (PPE) and right-of-use assets (ROU assets) for impairment/impairment reversal following the recovery from the Covid-19 pandemic, and the increased risk and inflation caused by the global geo-political tensions during the financial year.

During the year ended 30 June 2023, the group had an impairment reversal to property, plant and equipment by R30.0 million (2022: Impairment loss of R63.6 million), an impairment loss on right-of-use assets by R47.4 million (2022: impairment reversals of R120.7 million) and an impairment loss on goodwill by R9.0 million (2022: Rnil). The company recognised impairment losses on property, plant and equipment of R14.2 million (2022: R39.3 million), impairment losses on right-of-use assets of R47.4 million (2022: impairment reversals of R84.6 million) and an impairment loss on goodwill of R9.0 million (2022: nil). The recoverable amount has been determined as the higher of value-in-use (VIU) and fair value less cost of disposal (FVLCD), calculated using the discounted cash flow model (DCF) by applying projected cash flows over a five-year period. Where the FVLCD has been applied, the inputs are classified as level 3 per the fair value hierarchy.

Where references are made to 'South Africa' in the impairment information below, this impacts company and group. References to 'Rest of Africa' impact group only.

1. PROPERTY, PLANT AND EQUIPMENT continued

IMPAIRMENT (LOSSES) AND REVERSALS OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND GOODWILL continued

Significant judgements and areas of estimation uncertainty

Forecast cash flows assumptions for established and newer hotels

The overall group has performed better than anticipated during FY23, however certain CGU's are impacted by local factors within the areas in which the hotel operates, and their performance has lagged. Management forecast a continued recovery to exceed 2019 occupancy levels, including an improvement in room rates in FY24.

Consistent with the prior year, management's forecast follows a bottom-up approach (i.e. forecasts are prepared at a CGU level by the local general manager and then submitted, consolidated and reviewed at a head office level per CGU) for FY24 per CGU. The revenue growth rates for FY24 vary per CGU, improving on FY23 performance as the recovery from Covid-19 pandemic stabilises, and the business makes in-roads in market share from the new strategies applied during Covid-19, which include best-available rates, enhanced food and beverage offers and leisure market growth strategy.

For established hotels, continued improvement in cash flows are expected between FY25 to FY28. Estimated revenue growth ranges from 14% for FY25, and 9% for the years thereafter up until FY28 in South Africa. Estimated revenue growth ranges from 22% for FY25 and levelling off to 9% for the years thereafter up until FY28 for established hotels in Rest of Africa. (2022: Estimated revenue growth ranged from 15% for FY24, and 10% for the years thereafter up until FY27 in South Africa. Estimated revenue growth ranged from 15% for FY24 and levelling off to 10% for the years thereafter up until FY27 for established hotels in Rest of Africa.)

The estimated escalations in revenue are driven by internal factors through the expected value generated by key strategic developments implemented by the group (e.g. Best Available Rates and the enhanced food and beverage offerings). There is a positive outlook in macro-economic factors, which include downward trending inflation, projected medium-term improvements in the South African economy as electricity capacity is generated increases as more power stations are due to come on line in the new year, and the strong hospitality recovery from the Covid-19 recession. South Africa is the major source market for SADC, and therefore the South African factors are expected to have a similar effect in the Rest of Africa.

Operating expense escalations gradually track from current inflationary highs toward long-term Reserve Bank and Central Bank CPI targets.

For newer hotels which are less than six years old, management estimates steeper levels of revenue growth, as the hotel establishes itself within its market, and reduced levels of operating expense growth due to the high proportions of fixed costs in hotel operations.

Terminal growth rate assumptions

The terminal growth rate applied is 4.7% (2022: 4.7%) for South African hotels and ranges between 4.7% and 6.0% (2022: 4.5% and 6.1%) for the Rest of Africa hotels and is based on country-specific target inflations.

Discount rate assumptions

The discount rate represents a risk adjusted discount rate and is calculated by using a weighted average cost of capital ("WACC") of the respective CGUs. WACC is calculated using a risk-free rate referenced to the 10 year point on the SA Government Bond curve and an equity premium adjusted for specific risks relating to the relevant CGUs (share beta and small stock premium).

The discount rate utilised in the valuation ranges between 14.7% and 21.6% (2022: 17.5% and 20.9%) for the South African hotels and ranges between 16.7% and 20.4% (2022: 15.2% and 22.6%) for Rest of Africa hotels. The decrease in the discount rate is mainly driven by a change in the debt: equity composition of comparable companies within the industry.

Reasons for impairment reversals/(losses) on PPE and impairment losses on ROU assets and goodwill

The impairment assessments are performed per CGU and therefore the reasons for impairments/impairment reversals vary across CGUs based on CGU specific items.

The reasons for the impairment on PPE for South African hotels are due to the following:

- Slower than anticipated revenue growth for certain Courtyard CGUs that were impaired when compared to prior periods. This is due to slower than anticipated return of business in the location of operations due to hybrid working policies, as well as a lower demand for rooms in the area of the Courtyard CGU.

The reasons for the impairment reversals on PPE for South African and Rest of Africa hotels are due to the following:

- Improved performance of newer Town Lodge and Rest of Africa CGUs as they establish their market presence and improved occupancies, which is complemented by better room rate management as permitted by demand. In addition, there is better historical information to determine forecast trends.

The reasons for the impairment on ROU assets are due to the following:

- Average room rate increases in certain Road Lodges lagged from their peer group resulting in slower revenue growth when compared with projections. This is due to slow recovery of smaller town airport locations, as the supply of airlines and thereby traveller traffic is focused on larger hubs, which required some price discounting.

Notes to the financial statements continued

for the year ended 30 June 2023

1. PROPERTY, PLANT AND EQUIPMENT continued

IMPAIRMENT (LOSSES) AND REVERSALS OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND GOODWILL continued

The key assumptions applied in determining the recoverable amounts, for which impairments and reversals were recognised, are as follows.

Property, plant and equipment

		2023					
R000	Recoverable amount	(Impairments)/ impairment reversals	Occupancy FY23 (%)	Occupancy FY24 (%)	Revenue growth post FY24 (%)	Pre-tax discount rate (%)	Terminal growth (%)
Courtyard Hotel	VIU	(29 208)	21 - 39	35 - 48	9 - 14	14.7 - 16.5	4.7
Town Lodge	VIU	14 975	59	64	9 - 14	18.2	4.7
South Africa		(14 233)					
Rest of Africa	VIU	44 223	26	54	12 - 63*	20.4	6.0
		29 990					

Right-of-use assets

		2023					
R000	Recoverable amount	(Impairments)/ impairment reversals	Occupancy FY23 (%)	Occupancy FY24 (%)	Revenue growth post FY24 (%)	Pre-tax discount rate (%)	Terminal growth (%)
Road Lodge	VIU	(47 449)	49 - 60	58 - 65	9 - 18	21.4 - 21.6	4.7
South Africa		(47 449)					

Property, plant and equipment

		2022					
R000	Recoverable amount	Impairments	Occupancy FY22 (%)	Occupancy FY23 (%)	Revenue growth post FY23 (%)	Pre-tax discount rate (%)	Terminal growth (%)
Courtyard Hotel	VIU	(37 484)	32 - 34	46 - 49	10 - 15	17.5 - 21.7	4.7
City Lodge Hotel	VIU	(1 116)	26	42	10 - 15	17.5	4.7
Road Lodge	VIU	(673)	25	47	10 - 15	20.9	4.7
South Africa		(39 273)					
Rest of Africa	VIU	(24 289)	30	48	10 - 60*	22.6	6.1
		(63 562)					

Right-of-use assets

		2022					
R000	Recoverable amount	(Impairments)/ impairment reversals	Occupancy FY22 (%)	Occupancy FY23 (%)	Revenue growth post FY23 (%)	Pre-tax discount rate (%)	Terminal growth (%)
Courtyard Hotel	FVLCD	21 243	40	53	10 - 60 [#]	17.8	4.7
City Lodge Hotel	FVLCD	(4 133)	24 - 27	32 - 33	10 - 15	17.8	4.7
Road Lodge	FVLCD	67 471	23 - 28	37 - 39	10 - 15	17.8	4.7
South Africa		84 581					
Rest of Africa	FVLCD	36 158	31	36	10 - 20	15.2	4.5
		120 739					

* Rest of Africa revenue growth range higher than established hotels as it includes hotels in Maputo, which are less than six years old, and therefore have a lower base year cash flow. The revenue growth assumption includes the completion of City Lodge Hotel Maputo and availability and sale of the additional rooms.

[#] Courtyard Hotel revenue growth range is higher than established hotels as it includes a hotel which is less than six years old, and therefore has a lower base year cash flow. The revenue growth assumption includes the completion and fit-out of additional floors at Courtyard Hotel Waterfall City and availability of the additional rooms.

1. PROPERTY, PLANT AND EQUIPMENT continued

IMPAIRMENT (LOSSES) AND REVERSALS OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND GOODWILL continued

The impairment and impairment reversals of property, plant and equipment, right-of-use assets and goodwill of the following geographical regions recognised during the year is as follows:

2023				
R000	Property, plant and equipment	Right-of-use asset	Goodwill	Total
South Africa	(14 233)	(47 449)	(8 979)	(70 661)
Rest of Africa	44 223	-	-	44 223
	29 990	(47 449)	(8 979)	(26 438)
2022				
R000	Property, plant and equipment	Right-of-use asset	Goodwill	Total
South Africa	(39 273)	84 581	-	45 308
Rest of Africa	(24 289)	36 158	-	11 869
	(63 562)	120 739	-	57 177

The tables below indicates the sensitivities of (impairments)/impairment reversals of property, plant and equipment, right-of-use assets and goodwill for the following changes to assumptions:

GROUP				
	2023		2022	
	Increase	Decrease	Increase	Decrease
5% change in the net cash flows	21 770	(21 530)	102 359	(243 199)
25bps change in the terminal growth rate	4 082	(3 741)	3 403	(4 266)
50bps change in the discount rate	(30 904)	36 199	(16 408)	15 260

COMPANY				
	2023		2022	
	Increase	Decrease	Increase	Decrease
5% change in the net cash flows	1 876	(1 636)	55 588	(136 802)
25bps change in the terminal growth rate	473	(224)	2 966	(1 807)
50bps change in the discount rate	(224)	3 312	(6 298)	6 607

	GROUP		COMPANY	
	2023	2022	2023	2022
2. RIGHT-OF-USE ASSETS				
Opening balance	1 040 867	998 262	946 695	932 979
Depreciation	(95 090)	(90 153)	(84 069)	(82 869)
Impairment (loss)/reversals	(47 449)	120 739	(47 449)	84 581
Remeasurement*	111 170	12 004	111 170	12 004
Effects of movement in exchange rates	1 354	15	-	-
Closing balance	1 010 852	1 040 867	926 347	946 695
Cost	1 547 675	1 434 067	1 419 931	1 308 760
Accumulated depreciation and impairment losses	(536 823)	(393 200)	(493 584)	(362 065)
Net carrying amount	1 010 852	1 040 867	926 347	946 695

* Remeasurement in the current year mainly relates to the inclusion of the lease renewal option of 10 years for the City Lodge Waterfall City lease, as it is reasonably certain that the lease will be extended on renewal date. This was following improved operational performance post Covid-19. The discount rate applied on remeasurement date was 10.6%. The prior year remeasurement is associated with the revision of the lease renewal assumption on City Lodge Hotel Hatfield.

The leasing activities of the group and company relate to the leasing of land and/or buildings. During the year ended 30 June 2023, the group impaired right-of-use assets by R47.4 million (2022: impairment reversal of R120.7 million), the company impaired right-of-use assets by R47.4 million (2022: impairment reversal of R84.6 million). Refer to note 1 for further information on the impairments and related key assumptions and sensitivities.

Associated lease liabilities are disclosed in note 13.

Notes to the financial statements continued

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	2022	2023	2022
3. INTANGIBLES AND GOODWILL				
At cost				
Software costs	62 226	60 887	61 820	60 887
Goodwill	19 581	19 581	19 581	19 581
	81 807	80 468	81 401	80 468
Accumulated amortisation and impairment losses				
Software costs	39 951	36 207	39 545	36 207
Goodwill	19 581	10 602	19 581	10 602
	59 532	46 809	59 126	46 809
Carrying amount				
Software costs	22 275	24 680	22 275	24 680
Goodwill	-	8 979	-	8 979
	22 275	33 659	22 275	33 659

The remaining amortisation period for any software costs is eight years (2022: four years). The estimated useful life of software costs has been revised during the current financial year due to the decision to continue to use the software and reinvest in improvements to enhance technical innovation of the bespoke property management system. The useful life has been extended from 5 to 10 years, to 10 to 15 years. The change in the estimated useful life has resulted in a decrease of amortisation by R2.9 million.

Goodwill has been impaired in the current year based on the impairment assessment performed on property, plant and equipment and right-of-use assets. Refer to note 1.

R000	Software cost	Goodwill	Total
Movements for the year			
Group - carrying amount			
Opening balance - 30 June 2021	30 921	8 979	39 900
Amortisation	(6 241)	-	(6 241)
Closing balance - 30 June 2022	24 680	8 979	33 659
Amortisation	(3 338)	-	(3 338)
Impairment	-	(8 979)	(8 979)
Additions	933	-	933
Closing balance - 30 June 2023	22 275	-	22 275
Company - carrying amount			
Opening balance - 30 June 2021	30 921	8 979	39 900
Amortisation	(6 241)	-	(6 241)
Closing balance - 30 June 2022	24 680	8 979	33 659
Amortisation	(3 338)	-	(3 338)
Impairment	-	(8 979)	(8 979)
Additions	933	-	933
Closing balance - 30 June 2023	22 275	-	22 275

R000	Location	Issued share capital	% held	COMPANY	
				2023	2022
4. SUBSIDIARIES					
4.1 INTEREST IN SUBSIDIARIES					
Shares at cost less accumulated impairment losses					
Budget Hotels Proprietary Limited	South Africa	R100	100	1 073	1 073
City Lodge Hotels (Africa) Proprietary Limited	South Africa	R100	100	5 745	5 745
City Lodge Hotels (Botswana) Proprietary Limited	Botswana	BWP1	100	*	*
CLHG Mozambique Lda [^]	Mozambique	MZN1 000 000	1	3	3
Courtyard Management Company Proprietary Limited	South Africa	R100	100	*	*
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	South Africa	R1 518	100	1	1
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	South Africa	R2 584	100	3	3
Gallic Courtyard (Rosebank) Share Block Limited	South Africa	R3 816	100	4	4
Gallic Courtyard (Sandton) Share Block Limited	South Africa	R3 067	100	3	3
Property Lodging Investments Proprietary Limited	South Africa	R100	100	2 000	2 000
				8 832	8 832

* Less than R1 000.

[^] The majority shareholder (99%) is City Lodge Hotels (Africa) Proprietary Limited, and the group has 100% holding.

The company also has an indirect 100% shareholding in City Lodge Holdings (Share Block) Proprietary Limited and City Lodge Hotels (Namibia) Proprietary Limited, and an indirect 99% shareholding in CLHG Mozambique Lda.

R000	COMPANY	
	2023	2022
4.2 LOAN TO SUBSIDIARY		
Property Lodging Investments Proprietary Limited	-	62 800
<p>The loan was unsecured, bore interest at 12% per annum (2022: 12%) and was repayable on demand on or before 31 July 2023. In the prior year, there was no intention to request repayment within the following 12 months, however due to improved profitability in the current year, the subsidiary settled the loan.</p> <p>Loans receivable are subject to the impairment provisions of IFRS 9, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for subsidiary loan receivables was calculated based on 12-month expected losses as the credit risk was considered to not have increased significantly since initial recognition and the counterparty had sufficient liquid assets to settle the loan receivable if called upon.</p> <p>The loan balance with Property Lodging Investments had been assessed as fully recoverable at 30 June 2022, with only a negligible IFRS 9 ECL impact noted. Given this, no further disclosures was included.</p>		

Notes to the financial statements continued

for the year ended 30 June 2023

R000	COMPANY	
	2023	2022
5. LOAN RECEIVABLE		
City Lodge 10th Anniversary Employees' Share Trust	–	11 144

The City Lodge 10th Anniversary Employees' Share Trust loan was secured by the pledge of 2 821 475 shares in City Lodge Hotels Limited having a market value of R11.1 million, was interest-free and the loan was repayable on demand after 20 years from 18 December 1995, or in the event that the market value of the shares held by the trust falls below the amount outstanding of the loan. There was, however, no intention to request repayment during the next 12 months.

The City Lodge 10th Anniversary Employees' Share Trust has been aggregated into the results of City Lodge Hotels Limited in the current year as the trust was considered to be acting as an agent on behalf of the company.

In line with the requirements of IFRS 10 Consolidated Financial Statements, the City Lodge 10th Anniversary Employees' Share Trust has been consolidated in the current and prior year.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
6. DEFERRED TAX				
Movement in deferred taxation assets				
Opening balance	9 947	29 102	–	–
Charged to profit or loss	210	923	–	–
Impairment of deferred tax asset	–	(20 000)	–	–
Change in corporate tax rate	–	(108)	–	–
Foreign exchange movement	417	30	–	–
Closing balance	10 574	9 947	–	–
Analysis of deferred taxation assets/(liabilities)				
Capital allowances	2 580	2 767	–	–
Deductible accruals	640	180	–	–
Net lease liability	4 218	4 007	–	–
Prepayments	(6)	(6)	–	–
Tax loss	3 173	3 011	–	–
Unrealised foreign exchange gain	(31)	(12)	–	–
	10 574	9 947	–	–
Movement in deferred taxation liabilities				
Opening balance	12 475	28 293	11 792	27 612
Charged to profit or loss	30 912	(17 537)	30 936	(17 539)
Acquisition through business combinations	–	1 686	–	1 686
Change in corporate tax rate	–	33	–	33
Closing balance	43 387	12 475	42 728	11 792
Analysis of deferred taxation liabilities/(assets)				
Capital allowances	197 057	191 940	196 398	191 257
Income received in advance	(7 364)	(4 251)	(7 364)	(4 251)
Net lease liability	(106 959)	(78 323)	(106 959)	(78 323)
Prepayments	1 360	824	1 360	824
Share options	(4 362)	(3 833)	(4 362)	(3 833)
Tax loss	(15 000)	(80 535)	(15 000)	(80 535)
Accruals	(21 345)	(13 347)	(21 345)	(13 347)
	43 387	12 475	42 728	11 792

6. DEFERRED TAXATION continued

The expected manner of recovery of the deferred tax asset and settlement of the liability will be through use.

The tax rate used to calculate the deferred tax balance is:

- South Africa – 27% (2022: 27%)
- Botswana – 22% (2022: 22%)
- Mozambique – 32% (2022: 32%)
- Namibia – 32% (2022: 32%)

The deferred tax asset in the Namibian subsidiary has been impaired in the prior year by R20.0 million, due to the slower than anticipated recovery following the Covid-19 set-back and it was estimated that there would not be sufficient taxable income in the medium term against which the deductible temporary differences can be used.

The R10.6 million (2022: R9.9 million) deferred taxation assets are considered recoverable as they relate to timing differences and will be utilised against future taxable profits.

Estimated available tax losses

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Estimated available tax losses	249 106	529 959	55 557	298 277
Tax losses recognised in determining deferred tax assets	(67 309)	(309 429)	(55 557)	(298 277)
Unrecognised tax losses	181 797	220 530	-	-
Unrecognised deferred tax asset pertaining to unutilised tax losses	49 085	59 543	-	-

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Food, liquor and beverages	7 277	5 043	6 690	4 872
Food and beverages expensed during the year are included on the statements of profit or loss and other comprehensive income as food and beverage costs.				
There was no write-off of inventories during the year (2022: nil).				

7. INVENTORIES

R000	GROUP		COMPANY	
	2023	2022	2023	2022
8. OTHER RECEIVABLES				
Financial assets	13 480	492 978	16 966	174 531
Amounts due by subsidiaries (refer to note 30.6)	-	-	6 793	6 568
Sundry receivables ¹	7 656	14 363	4 349	10 601
Enterprise development loans	5 824	1 500	5 824	1 500
Gross proceeds from disposal of East Africa operations	-	477 115	-	155 862
Non-financial assets	73 994	67 986	37 242	32 544
Prepayments	11 885	10 288	11 845	10 185
Asset replacement reserve	25 397	22 359	25 397	22 359
Value added tax (VAT) refundable	36 712	35 339	-	-
	87 474	560 964	54 208	207 075

¹ Sundry receivables includes deposits paid, levies receivable and other sundries.

IMPAIRMENT LOSS ON OTHER RECEIVABLES

A total accumulative loss allowance of R360.9 million (2022: R348.9 million) has been raised on the amounts due by subsidiaries, City Lodge Hotels (Africa) Proprietary Limited and City Lodge Hotels (Namibia) Proprietary Limited. The movement in the loss allowance for the current year amounts to R12.0 million (2022: R126.7 million). These receivables are repayable on demand, however, the counterparties are unlikely to generate profits to repay the balances due. The counterparties are in default, and therefore this is considered a significant increase in credit risk, and therefore the full gross balances have been provided for.

Notes to the financial statements continued

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	2022	2023	2022
9. STATED CAPITAL				
Authorised - No par value shares				
Number of ordinary shares of no par value ('000)	10 000 000	10 000 000	10 000 000	10 000 000
Issued and fully paid				
609 859 502 (2022: 609 859 502) ordinary shares of no par value	1 324 717	1 324 717	1 324 717	1 324 717

All unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. The authority remains in force until the next annual general meeting.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
10. TREASURY SHARES				
Opening balance	(507 669)	(510 928)	(488 991)	(492 250)
Aggregation of employees share trust	-	-	(18 678)	-
Incentive scheme shares purchased	(5 752)	-	(5 752)	-
Transfer to other reserves on exercise of vesting rights	8 692	3 259	8 692	3 259
Closing balance	(504 729)	(507 669)	(504 729)	(488 991)

Treasury shares comprise 35 393 908 shares (with a market value of R176 million) held by the SPV's, and 2 821 475 (with a market value of R14 million) shares held by the 10th Anniversary Employees' Share Trust.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
11. OTHER RESERVES				
Share-based payment reserve	66 742	61 646	66 742	61 646
Opening balance	61 646	55 267	61 646	55 267
Expense for the year - share incentive scheme (refer to note 18)	13 788	9 638	13 788	9 638
Reserve transferred from treasury shares on exercise of vesting rights	(8 692)	(3 259)	(8 692)	(3 259)
- conditional share plan	(5 752)	-	(5 752)	-
- restrictive share plan	(2 940)	(3 259)	(2 940)	(3 259)
The share-based payment reserve relates to the accumulated cost for the future settlement of obligations arising from the share incentive schemes.				
Foreign currency translation reserve	4 541	4 900	-	-
Opening balance	4 900	57 344	-	-
Foreign currency translation differences	(359)	(43 866)	-	-
Realisation of foreign currency translation reserve	-	(8 578)	-	-
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.				
Closing balance	71 283	66 546	66 742	61 646

R000	GROUP		COMPANY	
	2023	2022	2023	2022
12. INTEREST-BEARING BORROWINGS				
Loan Facility 1 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 1.95% and 2.35% based on covenants. Outstanding loan capital is repayable on 30 June 2025.	-	150 000	-	-
Loan Facility 2 is a revolver facility of R300 million in total and bears interest at the three-month JIBAR plus margins ranging between 2.10% and 2.50% based on covenants. Outstanding loan capital is repayable on 30 June 2026. ¹	300 000	300 000	-	-
Loan Facility 3 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 2.20% and 2.70% based on covenants. Outstanding loan capital is repayable on 30 June 2027.	-	150 000	-	-
	300 000	600 000	-	-
Less: Amounts to be repaid within one year (based on loan agreement to repay R200 million from the proceeds of the sale of East Africa operations). Loan facilities remain available following repayment.	-	(200 000)	-	-
Non-current liabilities	300 000	400 000	-	-
The movement in interest-bearing borrowings during the year is as follows:				
Balance at the beginning of the year	600 000	650 000	-	-
Borrowings raised	-	670 000	-	-
Cash	-	70 000	-	-
Non-cash ²	-	600 000	-	-
Borrowings repaid	(300 000)	(720 000)	-	-
Cash	(300 000)	(120 000)	-	-
Non-cash ²	-	(600 000)	-	-
Interest charged	29 210	48 444	-	-
Interest paid	(25 663)	(50 724)	-	-
	303 547	597 720	-	-
Balance at the beginning of the year - interest	123	2 403	-	-
Interest accrued included in sundry accruals	(3 670)	(123)	-	-
Balance at the end of the year	300 000	600 000	-	-

¹ During the year, the group agreed the conversion of Facility 2, from a term loan to a revolving credit facility, with its funders. All other remaining terms and conditions remain unchanged.

² At the time of the debt refinancing in the prior year, the debt was restructured in which the lenders provided new facilities with new financial terms, that resulted in a substantial modification of the former interest-bearing borrowing package. Therefore the former debt was derecognised and new facilities recognised. No cash flowed through the bank accounts of the group.

The covenants for all measurement periods during the year ended 30 June 2023 were met. In the prior year, the original covenants were waived for all measurement periods from June 2021 through to September 2022. Refer to note 29.6.

Notes to the financial statements continued

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	2022	2023	2022
13. LEASE LIABILITIES				
Opening balance	1 374 558	1 390 107	1 239 912	1 250 418
Interest expense accrued	118 578	127 014	106 458	108 436
Capital lease payments	(35 571)	(25 486)	(28 589)	(22 510)
Interest payments	(118 578)	(127 014)	(106 458)	(108 436)
Remeasurements ¹	111 170	12 004	111 170	12 004
Effects of movement in exchange rates	2 418	8 978	-	-
Reclassification to liabilities directly associated with assets held for sale ²	-	(11 045)	-	-
Closing balance	1 452 575	1 374 558	1 322 493	1 239 912
Lease liabilities recognised in the statement of financial position are analysed as:				
Non-current portion	1 416 086	1 338 594	1 295 085	1 210 796
Current portion	36 489	35 964	27 408	29 116
	1 452 575	1 374 558	1 322 493	1 239 912

¹ Remeasurement in the current year mainly relates to the inclusion of the lease renewal option of 10 years for the City Lodge Waterfall City lease, as it is reasonably certain that the lease will be extended on renewal date. This was following improved operational performance post Covid-19. The discount rate applied on remeasurement date was 10.6%. The prior year remeasurement is associated with the revision of the lease renewal assumption on City Lodge Hotel Hatfield.

² During the prior year liabilities directly associated with assets held for sale have been disposed of in the sale of the East Africa operations.

The total cash outflow in relation to variable lease payments amounts to R7.5 million (2022: R9.9 million) for the group and company.

Associated right-of-use assets are disclosed in note 2. The maturity analysis is disclosed in note 29.4.

R000	COMPANY	
	2023	2022
14. FINANCIAL GUARANTEES		
Opening balance at 1 July	5 745	20 258
Gain on de-recognition of financial guarantee liability	-	(18 631)
Recognition of financial guarantee liability	-	4 118
Gain on remeasurement of financial guarantee liability	(1 452)	-
Closing balance	4 293	5 745

The company has recognised a financial guarantee liability due to the fact that the company (together with other subsidiaries) provided guarantees for borrowings which were entered into by City Lodge Hotels (Africa) Proprietary Limited (subsidiary) and the group's bankers. The company's maximum exposure to credit risk amounts to the total outstanding balances on City Lodge Hotels (Africa) Proprietary Limited interest-bearing borrowings of R300.0 million (2022: R600.0 million). The gain on de-recognition and remeasurement of the financial guarantee liability are included in "Other Income".

14. FINANCIAL GUARANTEES continued

EXPECTED CREDIT LOSS (ECL) MODEL FOR FINANCIAL GUARANTEES

The cost of guarantee have been valued on a probability weighted discounted cashflow basis.

The allowance account for credit losses is determined with reference to the following:

- Stage 1: 12-month ECLs for those financial guarantees where there has not been a significant increase in credit risk (SICR) since initial recognition.
- Stage 2: lifetime ECLs for those financial guarantees where there has been a significant increase in credit risk on a collective basis.

The ECL at the reporting date is the 12-month ECL. The financial guarantee liability is subsequently measured at the higher of the ECL at reporting date and the amount initially recognised less, where appropriate, the cumulative amount of income/ amortisation recognised in accordance with IFRS 15 - Revenue from Contracts with Customers.

A significant increase in credit risk considers the impact of forward-looking economic information that is readily available.

EXPECTED CREDIT LOSS ASSUMPTIONS

	Loan start date	Loan balance (R000)	SICR	ECL stage
2023				
Loan facility 1	30/6/2022	-	N	Stage 1
Loan facility 2	30/6/2022	300 000	N	Stage 1
Loan facility 3	30/6/2022	-	N	Stage 1
		300 000		
2022				
Loan facility 1	30/6/2022	150 000	N	Stage 1
Term loan 2	30/6/2022	300 000	N	Stage 1
Loan facility 3	30/6/2022	150 000	N	Stage 1
		600 000		

Management has applied the below mentioned assumptions, judgements and estimates in developing the ECL model.

GUARANTEE EXPOSURE/EXPOSURE AT DEFAULT (EAD)

Where a facility is fully drawn, we have used the full facility amount as exposure for the full remaining duration of the loan. For facilities that are not completely drawn, an estimation of the potential level of utilisation is made to allow for potential stressed scenarios. These additional exposures are calculated as the Credit Conversion Factor (50%) x unutilised amount.

CREDIT SPREADS

A Credit Scoring Model based on financial statement information to measure the financial strength and therefore the likelihood that City Lodge Hotels (Africa) Proprietary Limited will default. These models use quantitative financial indicators to produce a credit score for the company which in turn is used to determine default probabilities (PD). As the City Lodge Hotels (Africa) Proprietary Limited is a treasury company and strategically important, we rely on the holding company's financial strength to estimate default probabilities.

Two Credit Scoring Models have been used: 1) StarMine's SmartRatios Model and 2) Altman's Revised Z-Score Model, adapted for non-manufacturers and emerging markets. The S&P's 2022 Annual Global Corporate Default and Rating Transition Study to derive the PDs relevant to City Lodge Hotels (Africa) Proprietary Limited ratings.

Notes to the financial statements continued

for the year ended 30 June 2023

14. FINANCIAL GUARANTEES continued

CREDIT SPREADS continued

Loss given default (LGD)/recovery rate

LGD is the credit loss incurred in the case of a City Lodge Hotels (Africa) Proprietary Limited default. It is an estimate of the portion of debt at default not recoverable by the lender from the City Lodge Hotels (Africa) Proprietary Limited which the guarantors will be required to pay. Moody's historical defaulted bond and loan recoveries for the Hotel, Gaming and Leisure industry range from 36% to 71% for senior unsecured debt. Moody's state that debt seniority and collateral are the main LGD drivers.

Based on Moody's recoveries and considering the realisable value of City Lodge Hotels (Africa) Proprietary Limited's assets in a default scenario, we estimate recoveries to be 60% of loan exposures for 2023 and 2022 which equates to an LGD of 40% in 2023 and 2022.

Apportionment methodology and assumptions

The methodology aims to measure the guarantor's ability to meet the cost of the guarantee by estimating the stressed value of each guarantor's distributable assets in a City Lodge Hotels (Africa) Proprietary Limited default scenario.

Due to the strategic importance of City Lodge Hotels (Africa) Proprietary Limited, and therefore the high level of support from the company to borrower, we assume a high correlation of performance between City Lodge Hotels (Africa) Proprietary Limited and guarantors.

Monte Carlo simulations have been used to project the distributable assets of each guarantor over the ECL term.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
15. TRADE AND OTHER PAYABLES				
Financial liabilities	194 261	184 836	229 438	317 004
Trade payables	71 164	59 544	67 123	55 907
Amounts due to subsidiaries (refer to note 30.5)	-	-	51 320	151 264
Accruals	81 013	94 227	74 063	79 505
Other trade payables ¹	42 084	31 065	36 932	30 328
Non-financial liabilities	99 824	60 286	97 576	58 445
Income received in advance ²	27 275	15 744	27 275	15 744
Leave pay provision	22 551	21 307	22 010	20 790
Bonus provision	39 650	11 766	38 991	11 486
Value added tax (VAT) payable and other	10 348	11 469	9 300	10 425
	294 085	245 122	327 014	375 449

¹ Other trade payables includes building capital related payables and sundry payables.

² The total revenue recognised in the current year, which relates to carried forward income received in advance associated with advanced deposits, amounts to R15.7 million (2022: R6.4 million). The closing balance represents new advance deposits where the performance obligations have not yet been met at year-end. The amounts recognised as income received in advance will generally be utilised within the next 12 months. The prior year balance has been re-presented as a non-financial liability and consequently the related financial instruments disclosures have been re-presented accordingly as it was incorrectly reflected as a financial liability in the prior year.

16. REVENUE

The group derives revenue at a point in time, together with its customer reward programmes, which are earned as they are redeemed or expire. The group has contract liabilities from income received in advance and the customer reward programmes, which are included within trade and other payables.

Revenue increased by 55% compared to the prior year mainly due to the increase in trading activity and occupancies as a result of a steady return of guests with a renewed fervour for travel and hospitality in both the leisure and business markets. Revenue from accommodation increased by 54% whereas revenue from food and beverage increased by 79% due to the roll-out of the new food and beverage offering at Town Lodge and Road Lodge, as well as service and menu enhancements at City Lodge branded hotels.

Disaggregation of the revenue from contracts with customers for the year under review:

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Accommodation	1 402 171	911 571	1 342 915	841 466
Food and beverage	298 873	166 631	287 786	143 299
Other revenue ¹	13 685	25 711	13 149	21 330
	1 714 729	1 103 913	1 643 850	1 006 095

¹ Other revenue comprises conferencing, boardroom hire and miscellaneous revenue.

R000	Rooms revenue	Food and beverage revenue	Other revenue	Total
16.1 Revenue by segment				
GROUP				
2023				
South Africa	1 342 915	287 786	13 149	1 643 850
Courtyard Hotel	93 534	35 271	4 286	133 091
City Lodge Hotel	748 635	159 896	5 855	914 386
Town Lodge	210 410	52 713	1 838	264 961
Road Lodge	290 336	39 906	1 170	331 412
Rest of Africa	59 256	11 087	536	70 879
	1 402 171	298 873	13 685	1 714 729
2022				
South Africa	841 466	143 299	21 330	1 006 095
Courtyard Hotel	48 886	11 024	10 158	70 068
City Lodge Hotel	460 398	86 281	4 230	550 909
Town Lodge	127 192	22 760	3 906	153 858
Road Lodge	204 990	23 234	3 036	231 260
Rest of Africa	70 105	23 332	4 381	97 818
	911 571	166 631	25 711	1 103 913

Notes to the financial statements continued

for the year ended 30 June 2023

17. OTHER INCOME

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Dividend from subsidiary in specie ¹	-	-	60 200	-
Gain on remeasurement of financial guarantee liability	-	-	1 452	-
Gain on de-recognition of financial guarantee liability	-	-	-	18 630
Licence fees received from subsidiaries	-	-	3 982	2 441
Other ²	36 202	5 880	36 044	5 689
Profit on disposal of property, plant and equipment	210	-	210	-
	36 412	5 880	101 888	26 760

¹ A dividend was declared by Property Lodging Investments Proprietary Limited and was set off against the outstanding inter-company loan balance with the company.

² Other income includes the gross Covid BI claims received of R27 million.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
18. OTHER OPERATING COSTS				
Advertising and promotions	24 823	8 075	21 447	6 701
Auditor's remuneration	5 548	8 072	4 809	5 784
Audit fees	5 147	5 742	4 408	4 086
Fees for other services	401	2 330	401	1 698
Computer software maintenance	17 089	14 776	17 078	14 060
Insurance	10 007	10 888	9 404	6 620
Levies paid	8 490	8 757	8 490	8 757
Non-executive directors' fees (refer to note 21)	5 048	4 179	5 048	4 179
Sundry operating costs	42 566	31 410	36 510	20 901
Staff related costs ¹	42 852	21 109	41 433	18 971
Security	31 501	27 044	30 691	24 682
Repairs and maintenance	53 096	31 719	51 261	29 411
Variable lease payments	13 964	5 313	51 255	14 398
Share-based payment expense (refer to note 26)	13 788	9 638	13 788	9 638
- City Lodge 10th Anniversary Employees' Share Trust	85	282	85	282
- City Lodge bonus share plan	166	985	166	985
- City Lodge conditional share plan	13 537	8 371	13 537	8 371
	268 772	180 980	291 214	164 102

¹ Staff related costs include the movement in leave pay provision, discretionary staff and management bonuses, uniform costs, staff refreshments and entertainment, long service awards and training.

R000	GROUP	
	2023	2022
19. RECONCILIATION OF OPERATING PROFIT TO EBITDAR¹		
EBITDAR is made up as follows:		
Operating profit	355 293	174 311
Depreciation and amortisation	65 491	90 545
Depreciation - right-of-use assets	95 090	90 153
Variable lease payments	13 964	5 374
	529 838	360 383
Add/less: Exceptional ² losses/(gains)		
Impairment (reversal)/loss on property, plant and equipment	(29 990)	63 562
Impairment loss/(reversal) on right-of-use assets	47 449	(120 739)
Impairment loss on goodwill	8 979	-
EBITDAR	556 276	303 206

¹ The group defines EBITDAR as earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 Rent Adjustment, and exceptional items. EBITDAR is used by the group as measure of earnings from normal day-to-day operations.

² Exceptional items are considered to be those that are not within the normal day-to-day operations of the business and sufficiently material or unusual that they would distort the numbers if they were not adjusted. This would include headline adjustments.

20. DISPOSAL OF SUBSIDIARIES

As reported in the prior year, the group entered into two sale of share transactions for the disposal of 100% of its shares in Fairview Hotel Limited in Kenya, and the disposal of 100% of its shares in CLHG Tanzania Limited, in Tanzania.

The disposal of these subsidiaries, with a net asset value of R388.9 million, completed on 30 June 2022, following the fulfilment of the conditions precedent. The gross proceeds of R479.4 million from the sale were received during 2022 following the completion of the transaction milestones. Gross proceeds of R477.1 million had been recorded within other receivables in the statement of financial position as at 30 June 2022. The group recorded a profit on the sale of the East Africa operations of R88.3 million, which included a realisation of the related foreign currency translation reserve of R8.6 million.

The company disposed its investment in subsidiary for an amount of R1 46.5 million, resulting in a loss of R0.4 million.

R000	Basic salary	Performance and other bonus [#]	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	Current year share-based payment expense*	Total
21. DIRECTORS' EMOLUMENTS							
Executive directors							
2023							
Lindiwe Siddo	2 964	1 587	9	311	4 871	1 019	5 890
Dhanisha Nathoo	2 857	1 551	52	300	4 760	1 539	6 299
Andrew Widegger	5 730	4 570	32	917	11 249	3 368	14 617
	11 551	7 708	93	1 528	20 880	5 926	26 806
2022							
Lindiwe Siddo	2 774	-	9	93	2 876	754	3 630
Dhanisha Nathoo	2 670	-	52	90	2 812	921	3 733
Andrew Widegger	5 770	-	32	235	6 037	1 880	7 917
	11 214	-	93	418	11 725	3 555	15 280

* This expense represents the IFRS 2 costs for the year of any option or right given or reversed (refer to note 26).

[#] Performance and other bonus includes the accrual for the 2023 short term incentive bonuses.

Executive directors are full-time salaried employees, engaged on the company's standard terms and conditions of employment. The executive directors are the only prescribed officers.

R000	Fees	2023	2022
Non-executive directors			
Stephen Enderle		357	326
Deon Huysamer		453	407
Frank Kilbourn		601	593
Andrew Lapping		469	255
Dr Sizakele Marutlulle		387	347
Ndumi Medupe		530	475
Mathukana Mokoka		419	-
Stuart Morris		647	580
Bulelani Ngcuka (payment made to Vuwa Investments Proprietary Limited)		1 185	1 067
Vincent Rague (resigned 25 November 2021)		-	129
		5 048	4 179

No other payments were made to directors.

Notes to the financial statements continued

for the year ended 30 June 2023

21. DIRECTORS' EMOLUMENTS continued

DIRECTORS' INTERESTS

The directors' individual interest in the ordinary share capital of the company at 30 June were as follows:

	Beneficial			
	Direct		Indirect	
	2023	2022	2023	2022
Stephen Enderle [∞]	-	900 000	56 537 996	55 714 996
Deon Huysamer	-	-	-	-
Frank Kilbourn ^Δ	238 000	238 000	218 162	218 162
Andrew Lapping	-	-	-	-
Dr Sizakele Marutlulle	-	-	-	-
Ndumi Medupe	-	-	-	-
Mathukana Mokoka	-	-	-	-
Stuart Morris	-	-	-	-
Dhanisha Nathoo	130 114	-	-	-
Bulelani Ngcuka*	-	-	246	246
Lindiwe Siddo	136 346	65 520	-	-
Andrew Widegger	3 190 682	3 030 958	-	-
Total	3 695 142	4 234 478	56 756 404	55 933 404

[∞] Stephen Enderle indirectly holds shares through Enderle SA Proprietary Limited, LIMA Ploughshare Proprietary Limited and associates.

^Δ Frank Kilbourn's direct holding and 75 362 (2022: 75 362) of his indirect holding is pledged as security in his personal capacity. The balance of the indirect holding is unencumbered.

* Bulelani Ngcuka's indirect shareholding reflects his proportionate share of the 14 157 779 (2022: 14 157 779) shares owned by Vuwa Investments Proprietary Limited, following the indirect share repurchase by City Lodge Hotels Limited for the majority shares in Vuwa Hotels (RF) Proprietary Limited in December 2020.

No changes in directors' interests have taken place between the reporting date and the date of issue of these financial statements.

Restricted share plan - bonus shares	Date of award	Share acquisition price (R)	Holding at 30 June 2022	Beneficial			Holding at 30 June 2023	Vesting date
				Granted	Vested	Lapsed/forfeited		
Andrew Widegger	18/9/2019	93.74	7 204	-	(7 204)	-	-	17/9/2022
Lindiwe Siddo	18/9/2019	93.74	2 693	-	(2 693)	-	-	17/9/2022
			9 897	-	(9 897)	-	-	

Conditional share plan FY23	Date of award	Grant date price (R)	Holding at 30 June 2022	Beneficial			Holding at 30 June 2023	Vesting date
				Granted	Vested	Forfeited		
Andrew Widegger	7/11/2022	4.06	-	1 575 466	-	-	1 575 466	6/11/2025
Lindiwe Siddo	7/11/2022	4.06	-	611 282	-	-	611 282	6/11/2025
Dhanisha Nathoo	7/11/2022	4.06	-	597 414	-	-	597 414	6/11/2025

21. DIRECTORS' EMOLUMENTS continued

Conditional share plan FY22	Date of award	Grant date price (R)	Holding at 30 June 2022	2023			Holding at 30 June 2023*	Vesting date
				Granted	Vested	Forfeited		
Andrew Widegger	22/10/2021	5.07	825 641	-	(409 724)	(415 917)	-	21/10/2022
	22/10/2021	5.07	825 641	-	-	(415 917)	409 724	21/10/2023
	22/10/2021	5.07	825 641	-	-	(415 917)	409 724	21/10/2024
Lindiwe Siddo	22/10/2021	5.07	413 542	-	(109 175)	(304 367)	-	21/10/2022
	22/10/2021	5.07	413 542	-	-	(304 367)	109 175	21/10/2023
	22/10/2021	5.07	413 542	-	-	(304 367)	109 175	21/10/2024
Dhanisha Nathoo	22/10/2021	5.07	404 160	-	(200 564)	(203 596)	-	21/10/2022
	22/10/2021	5.07	404 160	-	-	(203 596)	200 564	21/10/2023
	22/10/2021	5.07	404 160	-	-	(203 596)	200 564	21/10/2024

* Subject to a holding period of 2 years

R000	GROUP		COMPANY	
	2023	2022	2023	2022
22. INTEREST				
22.1 INTEREST INCOME				
Bank	12 210	213	12 184	75
Subsidiaries	-	-	3 768	4 360
Other	4	611	4	611
	12 214	824	15 956	5 046

	GROUP		COMPANY	
	2023	2022	2023	2022
22.2 INTEREST EXPENSE				
Long-term borrowings - bank	(29 210)	(48 444)	-	-
Lease liabilities	(118 578)	(127 014)	(106 458)	(108 436)
Short-term borrowings	(638)	(4 024)	(638)	(4 716)
Subsidiaries	-	-	(2 178)	-
	(148 426)	(179 482)	(109 274)	(113 152)

No interest was capitalised to property, plant and equipment during 2022 and 2023.

Notes to the financial statements continued

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	2022	2023	2022
23. TAXATION				
Current - current tax	24 630	978	15 613	—
Deferred - current tax ¹	28 090	1 145	28 308	(17 539)
Deferred - prior year	2 612	—	2 628	—
Deferred - reduction in tax rate	—	75	—	33
	55 332	2 198	46 549	(17 506)
Reconciliation of taxation rate (%)				
Domestic statutory tax rate	27.0	28.0	27.0	28.0
Adjusted for:				
- deferred tax assets not recognised on assessed loss	2.3	23.9	—	—
- utilisation of unrecognised deferred tax asset	(8.0)	—	—	—
- effect of tax rates in foreign jurisdictions	0.9	(1.9)	—	—
- expenses not in the production of income	0.8	0.3	0.9	(0.2)
- financial guarantee transactions	—	—	(0.2)	4.1
- deferred tax assets not raised on disposal of East Africa	—	(33.0)	—	—
- deferred tax assets not recognised on impairment	1.1	4.6	2.9	(31.0)
- exempt income - dividends received	—	—	(8.2)	—
- prior year debits (net)	1.2	—	1.3	—
- change in corporate tax rate	—	0.2	—	—
- capital gain rate adjustment ²	—	(19.5)	—	13.0
Effective rate of taxation	25.3	2.6	23.7	13.9

¹ Included in deferred current tax amount in the prior year, is the impairment of deferred tax relating to temporary differences. Refer to note 6.

² The capital gain rate adjustment relates to capital items which is subject to a CGT rate of 21.6%.

24. DIVIDENDS

The board approved the declaration of the following dividend in respect of the year ended 30 June 2023. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Number 63 of 5 cents per share (2022: nil) declared on 24 February 2023 and paid on 20 March 2023	30 493	—	30 493	—
Dividends attributable to treasury shares	(1 770)	—	(1 770)	—
	28 723	—	28 723	—

R000	GROUP		COMPANY	
	2023	2022	2023	2022
25. COMMITMENTS				
Capital				
Authorised				
- contracted	58 315	-	58 315	-
- not contracted	309 270	165 928	290 013	165 928
	367 585	165 928	348 328	165 928
The new financial year will have renewed focus on reinvestment in our portfolio and the further roll-out of our new generation hotel room designs through intensive reinvestment in a few older generation hotels, and the adoption of more sustainable electricity and water alternatives. Future capital expenditure will be financed out of funds generated from operations and external borrowings. All of the authorised capital expenditure is expected to be spent by 30 June 2024.				
Guarantees				
Total guarantees provided to third parties by the group's bankers on behalf of the company amounted to R8.8 million (2022: R8.8 million) which relates to contingent rent and deposits which were assessed not to be financial guarantee contracts. The directors do not believe any exposure to loss is likely.				
The issued guarantees have the following expiry dates:				
- not later than one year	-	-	-	-
- between one and five years	-	757	-	757
- later than five years	8 762	8 004	-	8 004

26. EMPLOYEE BENEFITS

RETIREMENT BENEFIT INFORMATION

The group and company provide retirement benefits to the group's permanent employees through a defined-contribution fund. Company contributions to this fund are fixed at a rate of 10.5% (16% for members who transferred from the historic defined-benefit fund) of pensionable salaries and 68.50% (2022: 66.28%) of the group's permanent employees are members. Employees who are not members of the above funds are members of the appropriate industry fund.

MEDICAL AID

Certain of the group's employees are members of the Discovery Health Medical Scheme. There are no obligations for post-retirement medical aid contributions.

SHARE-BASED PAYMENTS FOR GROUP AND COMPANY

Equity-settled share appreciation rights scheme

Given the preference for the use of full value instruments as opposed to equity settled share appreciation rights (SAR) schemes, SARs have been discontinued. All historic SAR awards were cancelled during the 2022 financial year and therefore no further disclosure is included.

EQUITY-SETTLED CONDITIONAL SHARE PLAN (CSP)

The Group plan provides for the issue of shares conditional upon performance and employment conditions. The vesting period is generally one to four years. The vesting of the conditional shares are subject to the achievement of specified performance conditions. The CSP FY2022 performance conditions were the debt covenant measures, occupancy levels, free cash flow and EBITDA levels. Furthermore pro rata vesting for CSP FY2022 is conditional upon the employee being in the employment of the group for between 1 and 4 years. The CSP FY2023 performance conditions are return on capital and headline earnings per share. Furthermore, pro rata vesting for CSP FY2023 is conditional upon the employee being in the employment of the group for between 1 and 3 years. Fair value is measured using a binomial valuation model. The share-based equity-settled option expense for the year ended 30 June 2023 in statement of profit or loss and other comprehensive income is R13 536 910 (2022: R8 370 869).

Notes to the financial statements continued

for the year ended 30 June 2023

26. EMPLOYEE BENEFITS continued

	2023	2022
	Number of CSPs	Number of CSPs
CSP FY2022		
Opening balance	3 446 209	-
Granted during the year	-	12 960 326
Forfeited during the year	(111 921)	(9 514 117)
Exercised during the year	(644 623)	-
Expired during the year	-	-
Closing balance	2 689 665	3 446 209
Exercisable at the end of year	1 344 833	-

	2022
Binomial model inputs as follows:	
Volatility (%)	51
Risk-free rate (%)	4.45
Dividend yield (%)	-
Expected life (years)	1
Strike price (Rand)	-
Share price (Rand)	5.78
Option price (Rand)	5.78

	2023
	Number of CSPs
CSP FY2023	
Opening balance	-
Granted during the year	5 182 482
Forfeited during the year	-
Exercised during the year	-
Expired during the year	-
Closing balance	5 182 482
Exercisable at the end of year	-

	2023
Binomial model inputs as follows:	
Volatility (%)	89
Risk-free rate (%)	7.62
Dividend yield (%)	-
Expected life (years)	3
Strike price (Rand)	-
Share price (Rand)	4.63
Option price (Rand)	4.63

26. EMPLOYEE BENEFITS continued

EQUITY-SETTLED 10TH ANNIVERSARY EMPLOYEE SHARE TRUST

The group plan provides for an annual share distribution equal to half of the financial year's capital growth, if any, of the portfolio of City Lodge shares held by the trust. The distributions to eligible employees (employees in the service of the group for at least one year) are equity-settled three months after year-end, provided that the portfolio's market value at year-end exceeds the market value at the previous year-end and the outstanding loan payable. Entitlements are forfeited if the employee leaves the group's service before a distribution takes place. The vesting period is one year. Expected volatility was determined by calculating the historical volatility of the group's share price over the previous two years. Fair value is measured using a European binomial valuation model. The share-based, equity-settled expense for the year ended 30 June 2023 in profit or loss is R84 640 (2022: R282 000).

	2023 Number of shares	2022 Number of shares
Opening balance	2 821 475	2 821 475
Distributions during the year	-	-
Closing balance	2 821 475	2 821 475

	2023		2022	
	Per share	Total portfolio	Per share	Total portfolio
European binomial model inputs as follows:				
Volatility (%)	61	61	88	88
Risk-free rate (%)	6.38	6.38	4.15	4.15
Dividend yield (%)	0	0	-	-
Expected life (years)	1	1	1	1
Effective strike price (Rand)	12.05	34 000 000	12.05	34 000 000
Share price (Rand)	3.95	11 144 826	3.51	9 903 377
Effective option price (Rand)	0.03	85 000	0.10	282 000

EQUITY-SETTLED RESTRICTED SHARE PLAN

Senior management will become owners of ordinary shares, which were acquired on the market. From the grant date, they will immediately benefit from dividends and have shareholder voting rights, thus providing direct alignment between participants and shareholders. The employee will give no consideration for the grant or settlement of an award. The vesting period is generally three years. In the case of resignation or dismissal, all unvested awards will be forfeited. The share-based, equity-settled profit for the year ended 30 June 2023 in profit or loss is R166 466 (2022: profit of R985 134). The equity-settled restricted share plan has been fully settled.

	2023		2022	
	Number of shares granted	Weighted average share price (R)	Number of shares granted	Weighted average share price (R)
Unvested at the beginning of year	28 740	93.38	49 130	112.43
Granted during year	-	-	-	-
Forfeited during year	-	-	(448)	116.77
Vested during year	(28 740)	93.38	(19 942)	139.79
Unvested at the end of year	-	-	28 740	93.38

Notes to the financial statements continued

for the year ended 30 June 2023

R000	GROUP		COMPANY	
	2023	2022	2023	2022
27. NOTES TO THE STATEMENTS OF CASH FLOWS				
27.1 CASH GENERATED BY OPERATIONS				
Profit/(loss) before taxation	219 081	83 928	196 509	(125 922)
Adjusted for:				
- depreciation and amortisation	65 491	90 545	56 375	80 823
- depreciation - right-of-use asset	95 090	90 153	84 069	82 869
- dividend income in specie	-	-	(60 200)	-
- gain on remeasurement of financial guarantee liability	-	-	(1 452)	(18 631)
- impairment loss on other receivables	-	-	12 037	126 688
- impairment (reversal)/loss on property, plant and equipment	(29 990)	63 562	14 233	39 273
- impairment loss/(reversal) on right-of-use assets	47 449	(120 739)	47 449	(84 581)
- impairment loss on goodwill	8 979	-	8 979	-
- impairment loss on loan receivable	-	-	-	(1 241)
- interest income	(12 214)	(824)	(15 956)	(5 046)
- interest expense	29 848	52 468	2 816	4 716
- interest expense - leases	118 578	127 014	106 458	108 436
- (profit)/loss on disposal of East Africa operations	-	(88 275)	-	414
- profit on disposal of property, plant and equipment	(210)	-	(210)	-
- share-based payment expense	13 788	9 638	13 788	9 638
- unrealised foreign currency gain	(37 092)	(78 874)	-	-
- other non-cash items	(263)	8 399	(394)	8 399
Operating cash flows before working capital changes	518 535	236 995	464 501	225 835
Increase in inventories	(2 234)	(958)	(1 818)	(1 731)
Increase in trade and other receivables	(22 244)	(35 519)	(24 813)	(39 122)
Increase in trade and other payables	45 416	65 284	11 699	75 987
	539 473	265 802	449 569	260 969
27.2 TAXATION (PAID)/REFUNDED				
Balance overpaid at beginning of year	159	38 258	-	36 881
Taxation per statements of comprehensive income	(24 630)	(978)	(15 613)	-
Balance underpaid/(overpaid) at end of year	2 482	(159)	1 843	-
	(21 989)	37 121	(13 770)	36 881
27.3 INVESTMENT TO MAINTAIN OPERATIONS				
Additions to intangible assets				
- software costs	(933)	-	(933)	-
Additions to property, plant and equipment				
- furniture and equipment	(96 652)	(10 050)	(96 174)	(9 958)
	(97 585)	(10 050)	(97 107)	(9 958)
Less: Proceeds on disposal				
- furniture and equipment	210	-	210	-
	(97 375)	(10 050)	(96 897)	(9 958)
27.4 INVESTMENT TO EXPAND OPERATIONS				
Additions to property, plant and equipment				
- acquisition through business combination	-	(6 024)	-	(6 024)
- furniture and equipment	(9 616)	-	(9 616)	-
	(9 616)	(6 024)	(9 616)	(6 024)

R000	GROUP			
	Gross 2023	Net of tax 2023	Gross 2022	Net of tax 2022
28. HEADLINE EARNINGS				
28.1 HEADLINE EARNINGS RECONCILIATION				
Profit used to calculate basic and diluted earnings per share (EPS)		163 749		81 730
Profit on disposal of property, plant and equipment	(210)	(210)	-	-
Profit on disposal of East Africa operations	-	-	(88 275)	(88 275)
Impairment (reversal)/loss on property, plant and equipment	(29 990)	(33 833)	63 562	52 958
- South Africa	14 233	10 390	39 273	28 669
- Rest of Africa ¹	(44 223)	(44 223)	24 289	24 289
Impairment loss/(reversal) on right-of-use assets	47 449	34 638	(120 739)	(97 902)
Impairment loss on goodwill	8 979	8 979	-	-
Change in corporation tax rate	-	-	-	2 022
Headline earnings/(loss)		173 323		(49 467)
Basic earnings per share (cents) (EPS)				
- undiluted		28.6		14.3
- diluted		28.6		14.3
Headline earnings/(loss) per share (cents) (HEPS)				
- undiluted		30.3		(8.7)
- diluted		30.3		(8.6)
28.2 NUMBER OF SHARES FOR EPS AND HEPS CALCULATION (000s)				
Weighted average number of shares in issue ¹		571 644		571 644
Adjustment for dilutive share awards		1 232		1 210
Diluted weighted average number of shares in issue ¹		572 876		572 854
28.3 NUMBER OF SHARES IN ISSUE RECONCILIATION (000s)				
Total number of shares in issue		609 860		609 860
Treasury shares		(35 394)		(35 394)
10th Anniversary Employees Shares Trust treated as treasury shares		(2 821)		(2 821)
Net shares in issue ²		571 644		571 644
Net book asset value per share ³		196		171

¹ The impairment reversal on Rest of Africa has no tax impact as no deferred tax was previously recognised on the estimated tax losses.

² Net of treasury shares of 38 215 383.

³ Net book asset value per share is capital and reserves expressed as a percentage of net treasury shares in issue. This is a non-GAAP measure and has been consistently applied from one year to the next.

Notes to the financial statements continued

for the year ended 30 June 2023

29. FINANCIAL INSTRUMENTS

29.1 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), liquidity risk and credit risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

R000	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Non-current	Current
29.2 FINANCIAL INSTRUMENTS BY CATEGORY					
GROUP					
At 30 June 2023					
Financial assets					
Investments	800	-	800	800	-
Trade receivables	65 783	-	65 783	-	65 783
Other receivables	13 480	-	13 480	-	13 480
Cash and cash equivalents	328 345	-	328 345	-	328 345
Financial liabilities					
Interest-bearing borrowings	-	(300 000)	(300 000)	(300 000)	-
Lease liabilities ¹	-	(1 452 575)	(1 452 575)	(1 416 086)	(36 489)
Trade and other payables	-	(194 261)	(194 261)	-	(194 261)
At 30 June 2022					
Financial assets					
Investments	800	-	800	800	-
Trade receivables	47 164	-	47 164	-	47 164
Other receivables	492 978	-	492 978	-	492 978
Cash and cash equivalents	6 741	-	6 741	-	6 741
Financial liabilities					
Interest-bearing borrowings	-	(600 000)	(600 000)	(400 000)	(200 000)
Lease liabilities ¹	-	(1 374 558)	(1 374 558)	(1 338 594)	(35 964)
Trade and other payables	-	(184 836)	(184 836)	-	(184 836)
Bank overdraft	-	(66 088)	(66 088)	-	(66 088)

¹ Lease liabilities are measured in accordance with IFRS 16.

29. FINANCIAL INSTRUMENTS continued

R000	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial guarantee liability - other	Total	Non-current	Current
29.2 FINANCIAL INSTRUMENTS BY CATEGORY						
COMPANY						
At 30 June 2023						
Financial assets						
Investments	800	-	-	800	800	-
Trade receivables	63 658	-	-	63 658	-	63 658
Other receivables	16 966	-	-	16 966	-	16 966
Cash and cash equivalents	319 827	-	-	319 827	-	319 827
Financial liabilities						
Lease liabilities ¹	-	(1 322 493)	-	(1 322 493)	(1 295 085)	(27 408)
Financial guarantee liability	-	-	(4 293)	(4 293)	-	(4 293)
Trade and other payables	-	(229 438)	-	(229 438)	-	(229 438)
At 30 June 2022						
Financial assets						
Loan to subsidiary	62 800	-	-	62 800	62 800	-
Investments	800	-	-	800	800	-
Loan receivable	11 144	-	-	11 144	11 144	-
Trade receivables	45 794	-	-	45 794	-	45 794
Other receivables	174 531	-	-	174 531	-	174 531
Financial liabilities						
Lease liabilities ¹	-	(1 239 912)	-	(1 239 912)	(1 210 796)	(29 116)
Financial guarantee liability	-	-	(5 745)	(5 745)	-	(5 745)
Trade and other payables	-	(317 004)	-	(317 004)	-	(317 004)
Bank overdraft	-	(66 065)	-	(66 065)	-	(66 065)

¹ Lease liabilities are measured in accordance with IFRS 16.

Notes to the financial statements continued

for the year ended 30 June 2023

29. FINANCIAL INSTRUMENTS continued

29.3 MARKET RISK

Market risk is the risk that changes in market rates such as interest rates and foreign exchange rates will affect the group's income and value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The group is not significantly exposed to changes in equity prices.

- (a) **Interest rate risk** – fluctuations in interest rates impact the value of short-term investments and financing activities, giving rise to the interest rate risk. The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the average medium term, risk-free rate over the period of the respective loan.

The group manages its interest rate risk by linking the rate to the one-month or three-month Johannesburg Interbank Agreed Rate (JIBAR) rate plus a margin ranging from 1.95% to 2.70% or the South African prime rate. The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank ("SARB") has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

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

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Linked to one-month JIBAR	–	300 000	–	–
Linked to three-month JIBAR	300 000	300 000	–	–
Linked to South African prime rate	–	66 088	–	66 065
	300 000	666 088	–	66 065

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

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Linked to South African prime rate	328 345	6 741	319 827	–
Cash flow sensitivity analysis for variable rate instruments				
A change of 100 basis points in interest rates would have increased/(decreased) profit or loss and equity by the amount shown above. This analysis assumes that all other variables remain constant.				
Financial assets	3 283	67	3 198	–
Financial liabilities	3 000	6 661	–	661

- (b) **Currency risk**
Currency risk related to investments in foreign entities

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency. The following significant exchange rates against the ZAR applied during the year:

R000	Average rate		Reporting date closing rate	
	2023	2022	2023	2022
1 Botswana Pula is equivalent to	1.360	1.318	1.399	1.322
1 Mozambican Metical is equivalent to	0.280	0.238	0.295	0.255
1 Namibian Dollar is equivalent to	1.000	1.000	1.000	1.000

Currency risk related to foreign transactions

Each group entity operates predominantly within its own common monetary area and therefore the group has no significant currency risk with regards to operational activities. At year-end, all group entities had minimal foreign currency trade receivables or payables. It is not the group's policy to hedge transactions which are denominated in a currency other than the entities' functional currency, which mainly occurs with purchases. A rand denominated intercompany loan exists between City Lodge Hotels (Africa) Proprietary Limited and CLHG Mozambique Lda. There is significant exposure to foreign exchange gains or losses due to the current volatility between the South African Rand (ZAR) and the Mozambique Metical (MZN). Refer to the statements of profit and loss and other comprehensive income.

29. FINANCIAL INSTRUMENTS continued

29.4 LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The group has substantial borrowings and other financial liabilities.

To manage liquidity risk, the group will continue to generate operational cash flows and has forecast (refer to accounting policies section – going concern and note 33 for further details) to generate sufficient operating cash flows to meet the requirements of the business and make repayments of the financial liabilities as they become due. The group and company further has the following facilities available should it require additional funds to meet its obligations.

R000	2023	2022
Banking Facilities		
Debt facilities	600 000	600 000
Overdraft facilities	115 000	115 000
Total facilities	715 000	715 000
Less: Drawn down portion of debt facilities	(300 000)	(600 000)
Less: Bank overdraft	–	(66 088)
Total undrawn facilities	415 000	48 912

The group's debt funding is subject to debt covenants which are reviewed on an ongoing basis.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

R000	Carrying amount	Contractual undiscounted cash flows	Less than one year	Between one and five years	Later than five years
GROUP					
At 30 June 2023					
Financial liabilities					
Interest-bearing borrowings	300 000	395 415	31 863	363 552	–
Lease liabilities	1 452 575	2 739 976	164 272	703 640	1 872 064
Trade and other payables	194 261	194 261	194 261	–	–
	1 946 836	3 329 652	390 396	1 067 192	1 872 064
At 30 June 2022					
Financial liabilities					
Interest-bearing borrowings	600 000	690 648	323 014	367 634	–
Lease liabilities	1 374 558	2 614 520	154 749	810 308	1 649 463
Bank overdraft	66 088	66 088	66 088	–	–
Trade and other payables	184 836	184 836	184 836	–	–
	2 225 482	3 556 092	728 687	1 177 942	1 649 463
COMPANY					
At 30 June 2023					
Financial liabilities					
Lease liabilities	1 322 493	2 550 134	143 685	608 202	1 798 247
Financial guarantee liability	4 293	300 000	300 000	–	–
Trade and other payables	229 438	229 438	229 438	–	–
	1 556 224	3 079 572	673 123	608 202	1 798 247
At 30 June 2022					
Financial liabilities					
Lease liabilities	1 239 912	2 408 695	135 887	697 162	1 575 646
Bank overdraft	66 065	66 065	66 065	–	–
Financial guarantee liability	5 745	600 000	600 000	–	–
Trade and other payables	317 004	317 004	317 004	–	–
	1 628 726	3 391 764	1 118 956	697 162	1 575 646

Notes to the financial statements continued

for the year ended 30 June 2023

29. FINANCIAL INSTRUMENTS continued

29.5 CREDIT RISK

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations.

Trade receivables

Trade receivables comprise mainly travel agents and large corporates. Management has a credit policy in place with negotiated credit terms of 30 days. The exposure to credit risk is monitored on an ongoing basis with credit evaluations being performed on all new travel agents or corporates requiring credit. At 30 June 2023, no single customer was in debt in excess of 10% of the total trade receivables balance. The group applies the IFRS 9 simplified approach in measuring ECLs which utilises a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced over an average of a 36 month period. The group has established a provision matrix that is based on its historical credit losses experience and may be adjusted for specific forward-looking factors affecting the ability of the customers to settle the receivables. We have considered the impact of macroeconomic factors on the recoverability of trade receivables and have incorporated the factors into the determination of the historical loss rates.

A customer will be considered to be in default and the outstanding balance that is unrecoverable will be fully provided for where:

- The customer is unlikely to pay its credit obligations to the group in full;
- The customer is more than 90 days past due;
- Management has assessed the customer as being in financial distress;
- The customer has been placed under business rescue and has no reasonable expectation of recovery.

The group assumes that the credit risk on trade receivables has increased significantly if it is more than 30 days past due. The group identifies specific credit loss allowances if these receivables are greater than 365 days.

Travel agents comprise the largest proportion of the group's trade receivables. The loss allowance for trade receivables has increased from the prior year due to the increase in the trade receivables outstanding in the current period. There has been no significant new debtors nor any significant changes to the credit risk profile.

An immaterial loss allowance has been raised on cash and cash equivalents as the group's bankers have a BB- credit rating and are considered a reputable financial institution, used for investing and cash-handling purposes. The probability of default of these items has been assessed as close to nil.

Other receivables in the prior year mainly related to the gross proceeds receivable from the sale of the East Africa operations, of R477.1 million. The probability of default of this item had been assessed as close to nil. Amounts due by subsidiaries, included in other receivables, has been separately assessed for ECL (refer to note 8).

R000	GROUP		COMPANY	
	2023	2022	2023	2022
Loan - Property Lodging Investments Proprietary Limited (refer to note 4.2)	-	-	-	62 800
Loan receivable	-	-	-	11 144
Other receivables	13 480	492 978	16 966	174 531
Trade receivables	65 783	47 164	63 658	45 794
Investments	800	800	800	800
Cash and cash equivalents	328 345	6 741	319 827	-
	408 408	547 683	401 251	295 069
Trade receivables by type of customer				
Travel agents	49 940	37 582	48 522	36 470
Large corporates and companies	15 843	9 582	15 136	9 324
	65 783	47 164	63 658	45 794
Trade receivables by country				
South Africa	63 658	45 794	63 658	45 794
Botswana	987	953	-	-
Namibia	1 138	417	-	-
	65 783	47 164	63 658	45 794

29. FINANCIAL INSTRUMENTS continued

29.5 CREDIT RISK continued

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

R000	Current	30 to 60 days	61 to 90 days	More than 90 days	More than 120 days	Total
At 30 June 2023						
GROUP						
Expected loss rate (%)	3.16	5.01	15.45	46.96	48.85	5.82
Gross carrying amount - trade receivables	47 436	16 840	2 913	1 314	1 345	69 848
Lifetime ECLs	1 497	844	450	617	657	4 065
COMPANY						
Expected loss rate (%)	2.37	5.09	15.88	49.09	50.62	5.41
Gross carrying amount - trade receivables	45 321	16 589	2 834	1 257	1 299	67 300
Lifetime ECLs	1 073	844	450	617	658	3 642
At 30 June 2022						
GROUP						
Expected loss rate (%)	0.61	3.59	16.85	70.34	100.00	3.31
Gross carrying amount - trade receivables	35 678	10 437	1 733	680	250	48 778
Lifetime ECLs	415	375	292	478	54	1 614
COMPANY						
Expected loss rate (%)	0.61	3.59	16.85	70.34	100.00	3.27
Gross carrying amount - trade receivables	34 537	10 210	1 686	673	236	47 342
Lifetime ECLs	206	363	272	471	236	1 548
The movement in the loss allowance in respect of trade receivables during the year was as follow:						
R000	GROUP		2022	COMPANY		2022
	2023			2023		
Opening balance	1 614	9 001		1 548	8 918	
Loss allowance raised/(reversed)	2 448	(7 531)		2 094	(7 370)	
Foreign exchange movement	3	(227)		-	-	
Reclassification to assets held for sale	-	371		-	-	
Closing balance	4 065	1 614		3 642	1 548	

Notes to the financial statements continued

for the year ended 30 June 2023

29. FINANCIAL INSTRUMENTS continued

29.6 CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure.

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises stated capital, treasury shares, retained earnings and other reserves as disclosed in the statement of financial position. Debt funding comprises loans from banking institutions and net debt represents gross debt net of all cash reserves.

During the year, the group comfortably met the covenants for each measurement period in the 2023 financial year.

Following the loan re-financing with the group's lenders in June 2022, more favourable financial covenants were set and were effective for all measurement periods from 31 December 2022. Prior to this date, the original covenants were waived, and the loan-to-value covenant remained measurable, and was met for all quarterly measurement periods.

The financial covenants comprise:

- Interest cover ratio to be greater than or equal to three times;
- Net debt: EBITDA required to be less than or equal to 2.75 times; and
- Loan to value ratio is required to be less than 60%.

As at 30 June 2023 the actual covenant ratios were met as follow:

- Interest cover of 18.2 times;
- Net debt: EBITDA of 0.05 times; and
- Loan to value ratio of 19.5%.

The directors monitor the covenants on a quarterly basis when results are reviewed and cash flow forecasts are presented by management.

Based on the current and forecast trading performance, the directors expect that the company will meet the revised covenant levels for the next 12 months.

30. RELATED PARTIES

30.1 IDENTITY OF RELATED PARTIES WITH WHOM MATERIAL TRANSACTIONS HAVE OCCURED

Budget Hotels Proprietary Limited, City Lodge Hotels (Africa) Proprietary Limited, City Lodge Hotels (Botswana) Proprietary Limited, Courtyard Management Company Proprietary Limited, Gallic Courtyard (Arcadia) Share Block Proprietary Limited, Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited, Gallic Courtyard (Rosebank) Share Block Limited, Gallic Courtyard (Sandown) Share Block Limited, Property Lodging Investments Proprietary Limited, are subsidiaries of the company. Newshelf 935 (RF) Proprietary Limited, Newshelf 892 (RF) Proprietary Limited and Vuwa Hotels (RF) Proprietary Limited are subsidiaries of the company, and are also, together with the City Lodge 10th Anniversary Employee Share Trust, aggregated in the company results, as City Lodge Hotels Limited is the sponsor entity.

The company also has an indirect shareholding in City Lodge Holdings (Share Block) Proprietary Limited, City Lodge Hotels (Namibia) Proprietary Limited, and CLHG Mozambique Limitada, which is ultimately consolidated in the group.

Courtyard Management Company Proprietary Limited is the management company of the Courtyard Hotels.

Budget Hotels Proprietary Limited and Property Lodging Investments Proprietary Limited lease land to City Lodge Hotels Limited based on turnover. These are treated as variable lease payments.

Interest-bearing loans exist between City Lodge Hotels Limited and Property Lodging Investments Proprietary Limited and City Lodge Hotels (Africa) Proprietary Limited.

All of the above entities are related parties to the company. Other than the directors' remuneration (refer to note 21) and information below, there are no other related parties with whom material transactions have taken place.

30. RELATED PARTIES continued

30.2 TYPES OF RELATED-PARTY TRANSACTIONS

Licence fees, which are intellectual property charges for the use of the group's brands, and turnover based lease rental payments have been made, dividends in specie and interest has been received from/paid to certain related parties.

R000	COMPANY	
	2023	2022
30.3 MATERIAL RELATED-PARTY TRANSACTIONS		
Subsidiary companies		
Dividend in specie from related parties		
Property Lodging Investments Proprietary Limited	60 200	-
Licence fees paid to related parties		
Courtyard Management Company Proprietary Limited	4 380	2 229
Licence fees received from related parties		
Courtyard Management Company Proprietary Limited	1 108	-
City Lodge Hotels (Botswana) Proprietary Limited	1 241	785
City Lodge Hotels (Namibia) Proprietary Limited	1 633	548
	3 982	1 333
Lease payments to related parties		
Budget Hotels Proprietary Limited	952	133
Property Lodging Investments Proprietary Limited	36 339	9 085
	37 291	9 218
Interest received from related parties		
Fairview Hotel Limited	-	2 476
Property Lodging Investments Proprietary Limited	3 768	1 884
	3 768	4 360
Interest and commitment fees paid to related parties		
City Lodge Hotels (Africa) Proprietary Limited	2 179	692
30.4 LOAN TO SUBSIDIARY		
Property Lodging Investments Proprietary Limited (refer to note 4.2)	-	62 800
30.5 AMOUNTS DUE TO SUBSIDIARIES		
Budget Hotels Proprietary Limited	17 931	17 261
Property Lodging Investments Proprietary Limited	13 506	112 490
City Lodge Holdings (Share Block) Proprietary Limited	4 065	4 065
Courtyard Management Company Proprietary Limited	15 807	17 437
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	1	1
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	3	3
Gallic Courtyard (Rosebank) Share Block Limited	4	4
Gallic Courtyard (Sandown) Share Block Limited	3	3
	51 320	151 264

Notes to the financial statements continued

for the year ended 30 June 2023

R000	COMPANY	
	2023	2022
30. RELATED PARTIES continued		
30.6 AMOUNTS DUE BY SUBSIDIARIES		
City Lodge Hotels (Africa) Proprietary Limited	356 940	348 872
City Lodge Hotels (Botswana) Proprietary Limited	6 793	4 241
City Lodge Hotels (Namibia) Proprietary Limited	3 969	2 327
	367 702	355 440
Less: accumulated loss allowance		
City Lodge Hotels (Africa) Proprietary Limited	(356 940)	(348 872)
City Lodge Hotels (Namibia) Proprietary Limited	(3 969)	—
	(360 909)	(348 872)
	6 793	6 568
The amounts due to and by subsidiaries are unsecured, interest-free and repayable on demand.		
An accumulated loss allowance of R360.9 million (2022: R348.9 million) has been raised on the amounts due by City Lodge Hotels (Africa) Proprietary Limited and City Lodge Hotels (Namibia) Proprietary Limited to the company, as the subsidiaries are unlikely to generate adequate profits in the medium term to repay the loans (refer to note 8).		
30.7 LOAN TO EMPLOYEE SHARE TRUST		
10th Anniversary Employee Share Trust (refer to note 5)	—	11 144

R000	GROUP		COMPANY	
	2023	2022	2023	2022
30.8 TRANSACTIONS WITH KEY MANAGEMENT				
Key management is defined as executive directors.				
Key management compensation is as follows (refer to note 21):				
- short-term employee benefits, including salaries and bonuses	20 880	11 725	20 880	11 725
- equity compensation benefits	5 926	3 555	5 926	3 555
	26 806	15 280	26 806	15 280
- short term incentive bonus accrual	(7 525)	—	(7 525)	—
	19 281	15 280	19 281	15 280

31. CONTINGENT LIABILITIES

The group has no significant contingent liabilities as at 30 June 2023.

32. SUBSEQUENT EVENTS

The group repaid R200.0 million of the outstanding loan facility on 6 July 2023. Hereafter, the group has access to R500 million in undrawn loan facilities and R115.0 million in overdraft facilities. Further details are included in note 33.

On 14 August 2023, the group entered into a sale agreement for the City Lodge Hotel Katherine Street property. The sale agreement includes a restriction of use of the property for short-term accommodation purposes. The completion of the transaction is dependent on the fulfilment of the conditions precedent, including the conclusion of the due diligence. The consideration for the sale is expected to be R80.0 million.

The board has approved a final ordinary dividend of 8 cents per ordinary share (6.4 cents net after deducting withholding tax) in respect of the year ended 30 June 2023 (2022: nil). The source of the dividend will be from distributable reserves. The dividend will be payable on 2 October 2023 to shareholders registered in the Company's securities register on 29 September 2023.

Other than the above, the directors are not aware of any matter or circumstance arising since the reporting date and the date of this report.

33. LIQUIDITY AND FUNDING

The group has secured facilities with its lenders, which provides total debt facilities of R600.0 million, and overdraft facilities of R115.0 million. The loan facilities package offers:

- Revolver debt facilities maturing between June 2025 and June 2027.
- Additional access to R300.0 million accordion facilities which has been included in the loan agreements, but is subject to the funder's credit committee approval on application.

The group has operating cash flows of R356.1 million (2022: R122.0 million) and continues to generate positive cash flows to resume the planned reinvestment in the group's capital refurbishment programme and declare returns to its shareholders through dividends.

34. GOING CONCERN

The consolidated and separate financial statements for the year ended 30 June 2023 are prepared on a going concern basis. Based on cash flow forecasts, which considered the pressures from global economic forces, high inflation, and the additional costs of load shedding and ageing water infrastructure on operations; and cash and funding resources available, the directors believe that the group and company have sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

The group has made a profit for the year ended 30 June 2023 of R163.7 million (2022: profit of R81.7 million). The profit is reflective of a strong recovery from the Covid-19 pandemic aided by the return of international travel, and the resilience of leisure travel demands. As at 30 June 2023, the group has a net cash and cash equivalent of R328.3 million (2022: R59.3 million). Current assets exceed its current liabilities by R155.8 million (2022: Current assets exceed current liabilities by R72.9 million).

The company has made a profit for the year ended 30 June 2023 of R150.0 million (2022: loss of R108.4 million). The profit for the year has been driven by improved trading performance, as we improve upon pre-Covid performance. As at 30 June 2023, the company has a net cash and cash equivalent of R319.8 million (2022: R66.1 million). Current assets exceed its current liabilities by R83.8 million (2022: Current liabilities exceeded current assets by R218.6 million). Current liabilities includes R51.3 million (2022: R151.3 million) of amounts due to subsidiaries, and therefore these are not obligations external to the group.

All covenants during the measurement periods have been met during the year. The group monitors the covenants on an ongoing basis and does not expect to breach covenants.

Notes to the financial statements continued

for the year ended 30 June 2023

35. STANDARDS AND AMENDMENTS EFFECTIVE FOR THE FIRST TIME FOR JUNE 2023 YEAR ENDS

The following standards and amendments to existing standards have been published that are mandatory for the group and the company's accounting period ending 30 June 2023.

IAS 16 PROPERTY, PLANT AND EQUIPMENT (PROCEEDS BEFORE INTENDED USE)

The amendments relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the cost of testing whether the asset is functioning properly was included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the testing phase. The amendment now requires that any such proceeds and costs of those items must be included in profit and loss in accordance with the related standards.

Disclosure of such amounts is now specifically required. The group has not been impacted by the amendments.

AMENDMENTS TO IFRS 9 FINANCIAL INSTRUMENTS (ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018 - 2020 CYCLE)

The amendment concerns fees in the "10 percent" test for de-recognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The group has not been impacted by the amendment.

AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS

The amendment provides reference to determine what constitutes an asset and a liability in a business combination, and added a new exception for referencing IAS 37 Provisions, Contingent Liabilities and Contingent Assets when applying IFRS 3 to some types of liabilities and contingent liabilities.

The group has not been impacted by the amendment.

AMENDMENTS TO IAS 37 ONEROUS CONTRACTS (COST OF FULFILLING A CONTRACT)

The amendment defined costs that are included in costs of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts.

The group has not been impacted by the amendment.

The group adopted all the new, revised and amended accounting pronouncements as issued by the IASB which were effective for the group from 1 July 2022. None of the standards had a material impact on the consolidated and separate financial statements.

36. NEW IFRS STANDARDS AND INTERPRETATIONS EFFECTIVE FOR YEARS ENDED AFTER 30 JUNE 2023

At the date of authorisation of these financial statements for the year ended 30 June 2023, the following standards and interpretations were in issue but have not been early adopted by the group:

IFRS 17 INSURANCE CONTRACTS

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

IFRS 17 must be applied for financial years commencing on or after 1 January 2023. The group will apply the new standard for the financial period beginning on 1 July 2023.

The group is not expected to be impacted by the amendment relating to insurance contracts.

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS (CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. IAS 1 as amended must be applied for financial years commencing on or after 1 January 2024.

The group will apply the amendment for the financial period beginning on 1 July 2024, however, it is not expected to have a material impact.

AMENDMENTS TO IAS 12 INCOME TAXES (DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. IAS 12 as amended must be applied for financial years commencing on or after 1 January 2023.

The group will apply the amendment from 1 July 2023. This is expected to have a disclosure impact, however it is not expected to have a material financial impact.

NARROW SCOPE AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS, PRACTICE STATEMENT 2 AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 must be applied for financial years commencing on or after 1 January 2023.

The group will apply the amendment from 1 July 2023, however, it is not expected to have a material impact.

AMENDMENTS TO IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (DEFINITION OF ACCOUNTING ESTIMATES)

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty".

The group will apply the amendment from 1 July 2023, however, it is unlikely to have a material impact.

37. 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) (CODM) who have been identified as the group's executive directors. The CODM review the group's internal reporting by hotel brand in order to assess performance and allocate resources.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Notes to the financial statements continued

for the year ended 30 June 2023

37. SEGMENT ANALYSIS continued

The CODM assesses the performance of the operating segments based on EBITDAR (earnings before interest, income tax, depreciation, amortisation, rent and exceptional items). The measure also excludes all headline earning adjustments and impairments. Finance income and finance costs are not included in the results for each operating segment, as the cash and debt position is managed at a group level.

The CODM considers the business from both a hotel brand and geographical basis. The following are the six reportable segments identified and monitored by the CODM:

- Courtyard Hotels is the group's luxury brand comprising five hotels;
- City Lodge Hotels is the group's upper mid-scale brand comprising of 19 hotels;
- Town Lodge is the group's mid-scale brand comprising of 12 hotels;
- Road Lodge is the group's economy brand comprising of 23 hotels;
- Rest of Africa consists of the group's non-South African hotels division which owns, operates and manages hotels in Botswana, Mozambique and Namibia; and
- Central Office consists of the group's management division which manages all the hotels.

R000	Material expenses included in EBITDAR						
	Revenue ¹	EBITDAR ²	EBITDAR margin (%)	Salaries and wages	Property costs	Food and beverage costs	Rooms related costs
South Africa	1 643 850	621 345	37.8	(401 351)	(166 109)	(119 648)	(181 192)
Courtyard Hotel	133 091	33 974	25.5	(39 551)	(15 559)	(13 747)	(14 197)
City Lodge Hotel	914 386	394 158	43.1	(203 635)	(80 687)	(64 429)	(103 994)
Town Lodge	264 961	79 390	30.0	(74 190)	(27 567)	(22 640)	(32 860)
Road Lodge	331 412	113 823	34.3	(83 975)	(42 296)	(18 832)	(30 141)
Rest of Africa ³	70 879	55 671	78.5	(20 182)	(4 468)	(5 150)	(8 392)
Central Office	-	(120 740)		(71 161)	(401)	-	-
	1 714 729	556 276	32.4	(492 694)	(170 978)	(124 798)	(189 584)

2022

South Africa	1 006 095	323 339	32.1	(275 156)	(132 878)	(64 192)	(115 781)
Courtyard Hotel	70 069	7 026	10.0	(25 817)	(13 413)	(7 204)	(7 250)
City Lodge Hotel	550 908	211 074	38.3	(139 332)	(62 592)	(37 073)	(64 619)
Town Lodge	153 858	34 006	22.1	(50 257)	(22 416)	(9 610)	(21 978)
Road Lodge	231 260	71 233	30.8	(59 750)	(34 457)	(10 305)	(21 934)
Rest of Africa ³	97 818	81 708	83.5	(38 228)	(10 669)	(10 246)	(9 267)
Central Office	-	(101 841)		(59 278)	-	-	-
	1 103 913	303 206	27.5	(372 662)	(143 547)	(74 438)	(125 048)

¹ All revenue and income from hotel operations are derived from external customers. No one customer contributes more than 10% to the group's total revenue.

² Refer to reconciliation of operation profit/loss to EBITDAR in note 19.

³ EBITDAR for Rest of Africa includes unrealised foreign currency gain of R40.4 million (2022: unrealised foreign currency gain of R80.8 million).

Geographical information

R000	South Africa		Rest of Africa ⁴		Total	
	2023	2022	2023	2022	2023	2022
Property, plant and equipment	1 301 968	1 263 449	385 861	313 427	1 687 829	1 576 876
Right-of-use assets (non-current and current)	926 347	946 695	84 505	94 172	1 010 852	1 040 867

⁴ Revenue includes revenue for the Kenya and Tanzania entities for the year ended 30 June 2022. Property, plant and equipment and right-of-use assets excludes Kenya and Tanzania assets following completion of disposal of the East African operations on 30 June 2022.

Shareholders' analysis

as at 30 June 2023

SHAREHOLDER SPREAD

Beneficial shareholders with holdings exceeding 2%	2023	
	Number of shares owned	% of issued shares
Enderle SA	54 358 553	8.91
Entertainment Holdings	50 001 729	8.20
Allan Gray	48 389 794	7.93
Government Employees Pension Fund	27 486 721	4.51
Bryte Insurance Company	22 593 390	3.70
Ninety One	20 866 806	3.42
Tsogo Sun Investments	17 993 661	2.95
Sanlam Group	14 398 309	2.36
Newshelf 934 (treasury shares)	14 156 937	2.32
Newshelf 892 (treasury shares)	14 156 571	2.32
Total	284 402 471	46.62

Beneficial shareholders with holdings exceeding 2%	2022	
	Number of shares owned	% of issued shares
Government Employees Pension Fund	56 622 030	9.28
Enderle SA	54 358 553	8.91
Allan Gray	39 387 119	6.46
Bryte Insurance Company	22 593 390	3.70
Ninety One	21 227 238	3.48
Coronation Fund Managers	14 248 050	2.34
Newshelf 934 (treasury shares)	14 156 937	2.32
Newshelf 892 (treasury shares)	14 156 571	2.32
Old Mutual Group	13 595 122	2.23
Total	250 345 010	41.04

Fund managers with a holding greater than 2% of the issued shares	2023	
	Number of shares	% of issued capital
Allan Gray	83 762 179	13.73
Ninety One	30 152 262	4.94
Sanlam Investment Management	14 714 007	2.41
Oasis Crescent Management Company	13 863 486	2.27
Public Investment Corporation	12 532 195	2.05
Total	155 024 129	25.40

Fund managers with a holding greater than 2% of the issued shares	2022	
	Number of shares	% of issued capital
Allan Gray	74 093 386	12.15
Coronation Fund Managers	44 852 730	7.35
Public Investment Corporation	30 463 457	5.00
Ninety One	21 352 179	3.50
Abax Investments	15 162 178	2.49
Oasis Crescent Management	14 800 272	2.43
Total	200 724 202	32.92

Shareholders' analysis continued

as at 30 June 2023

Shareholder spread	2023			
	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 - 1 000 shares	27 833	77.15	3 031 531	0.50
1 001 - 10 000 shares	5 384	14.92	21 100 977	3.46
10 001 - 100 000 shares	2 374	6.58	72 723 408	11.92
100 001 - 1 000 000 shares	403	1.12	109 270 511	17.92
1 000 001 shares and above	83	0.23	403 733 075	66.20
Total	36 077	100.00	609 859 502	100.00

Shareholder spread	2022			
	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 - 1 000 shares	28 647	74.81	3 507 316	0.58
1 001 - 10 000 shares	6 347	16.57	25 183 185	4.13
10 001 - 100 000 shares	2 752	7.19	84 303 611	13.82
100 001 - 1 000 000 shares	472	1.23	127 709 581	20.94
1 000 001 shares and above	75	0.20	369 155 809	60.53
Total	38 293	100.00	609 859 502	100.00

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Shareholder spread	2023			
	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	16	0.04	63 289 986	10.39
- Directors	4	0.01	3 695 144	0.61
- Other	12	0.03	59 594 842	9.79
Public shareholders	36 061	99.96	545 569 516	89.61
Total	36 077	100.00	608 859 502	100.00

Shareholder spread	2022			
	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	75	0.20	63 935 371	10.48
- Directors	4	0.01	4 234 478	0.69
- Other	71	0.19	59 700 893	9.79
Public shareholders	38 218	99.80	545 924 131	89.52
Total	38 293	100.00	609 859 502	100.00

* Non-public, which in terms of the JSE Listings Requirements includes, inter alia, the directors of the company, the trustees of any employees' share scheme, employees of the issuer where a restriction is imposed on the trading of the listed securities and any person or entity that is interested in 10% or more of a particular class of securities.

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	2023	
	Total shareholding	% of issued capital
South Africa	587 811 976	96.38
United States of America	5 600 355	0.92
United Kingdom	3 693 343	0.61
Namibia	3 658 588	0.60
Rest of world	9 095 240	1.49
Total	609 859 502	100.00

Region	2022	
	Total shareholding	% of issued capital
South Africa	570 660 023	93.57
United Kingdom	10 376 475	1.70
United States of America	6 004 398	0.98
Norway	4 773 678	0.78
Namibia	4 656 854	0.76
Rest of world	13 388 074	2.21
Total	609 859 502	100.00

Administration

CITY LODGE HOTELS LIMITED

Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792

DIRECTORS

B T Ngcuka (Chairman), A C Widegger (Chief executive officer)*,
S J Enderle#, G G Huysamer, F W J Kilbourn (Deputy chairman), A R Lapping,
M S P Marutlulle, N Medupe, M G Mokoka, S G Morris, D Nathoo (Chief financial officer)*, L G Siddo (Chief operating officer)*
*Executive # South African and Swiss

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

COMPANY SECRETARY

M C van Heerden

SPONSOR

Nedbank Corporate and Investment Banking, a division of Nedbank Limited





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