



Getting back to life!

CITY LODGE HOTEL GROUP

Notice of Annual General Meeting 2021

Message from the chairman

DEAR SHAREHOLDER

This summary of our financial results for the year ended to 30 June 2021 also includes an executive overview of our performance as published on the Stock Exchange News Service (SENS) on Friday, 10 September 2021.

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

The 2020/2021 financial year has been dominated by the Covid-19 pandemic and the various degrees of lockdown mandated by President Cyril Ramaphosa. During these challenging times, the City Lodge Hotel Group has demonstrated agility and innovation in running a solutions-based operating environment in which its management team responds quickly and creatively to challenges, including its ability to temporarily suspend and reactivate hotels as demand determines.

Occupancies based on all 63 group hotels for the year averaged 19%, compared to 38% in 2020 and 55% in 2019. Occupancies based on open hotels in 2021 averaged 28% in South Africa and 26% for the group. Occupancies showed a steady improvement from the last quarter of the 2020 financial year, which ended on 4% occupancy, with almost all hotels closed, and ebbed and flowed with the resurgent waves of infections and the changes in lockdown levels.

Revenue for the year decreased by 56% to R0.5 billion, while operating costs, excluding depreciation and amortisation, decreased by 22%, and by 30% excluding unrealised foreign exchange losses.

The group incurred a net loss of R804.6 million (2020: R486.6 million) for the year. The prolonged recovery in the sector has led to the recognition of net impairment losses of R417.4 million. Loss in headline earnings increased by R313.1 million to a total loss of R455.2 million.

The loss in earnings per share of 161c (2020: 440c) and the loss in headline earnings per share of 91c (2020: 128c) has improved compared to prior year, mainly due to the dilutive impact of the additional shares in issue following the rights offer.

The completion of the rights offer in August 2020 raised gross proceeds of R1.2 billion, and gave a much-needed injection of liquidity which led to the group settling its guaranteed B-BBEE debt through

the redemption of the B-BBEE preference shares and settlement of accrued preference dividends, term loans and interest accrued totalling R770.9 million in December 2020.

In South Africa, the 168-room Courtyard Hotel Waterfall City opened on 1 March 2021 and is the group's 63rd hotel. The new flagship of the Courtyard brand is located in the lively and vibrant Waterfall City in Midrand, Johannesburg. This brings the total number of rooms offered by the group to 8 070 rooms at 63 hotels, across six countries, namely Botswana, Kenya, Mozambique, Namibia, South Africa and Tanzania.

In July 2021, the board accepted the offer for the sale of its East Africa operations in Kenya and Tanzania. The three hotels in Nairobi, Kenya will be disposed of for an aggregate consideration of R140.9 million to Ukarimu Limited, which is owned by Actis Africa Real Estate, a leading global investor in sustainable real estate and infrastructure. The City Lodge Hotel Dar es Salaam in Tanzania will be sold for an aggregate consideration of R1.0 million to Faraja Limited, also owned by Actis. In addition, CLHG Tanzania Limited will repay its shareholder loan claims of R318.2 million to City Lodge Hotels (Africa) Proprietary Limited. The disposals are subject to the fulfilment of customary conditions precedent, including approvals or consent from competition or anti-trust authorities to the extent legally required, within 22 weeks from the date of signature, or such later date as may be agreed.

We are excited for our guests to experience some of the innovations borne out of operating in challenging and unprecedented times. These innovations are aimed at making their stay safer, better aligned to their changing needs brought about by the Covid-19 pandemic, and offering the best rates to enjoy and celebrate those special times in their lives. Innovations include #YourPrivateOffice, online check-in, enhanced food and beverage offerings and promotions offering special rates.

Please enjoy reading our Integrated Report, the full version of which (including our annual financial statements) is available on our website at www.clhg.com from today, 28 October 2021.

Yours sincerely

Bulelani Ngcuka
Chairman

Commentary



The 2020/2021 financial year has been dominated by the Covid-19 pandemic and the various degrees of lockdown mandated by President Cyril Ramaphosa. The City Lodge Hotel Group has demonstrated agility and innovation in running a solutions-based operating environment in which its management team responds quickly and creatively to challenges, including its ability to temporarily suspend and reactivate hotels as demand determines.

With minimal international travel allowed throughout the period under review, the emphasis has been on boosting domestic travel, both business and leisure. What this has assured is that when international travellers return to South Africa, they will be wowed by the ingenuity of the group's enhanced hospitality products and services on offer. The demand for Covid-19 hygiene and safety protocols, coupled with a constrained social environment has seen strict daily screening of staff and guests, stringent adherence to wearing masks in public areas at all times, regular sanitising of hands, touch points and surfaces, and physical distancing.

The government's vaccination programme, after getting off to a slow start, commenced in mid-February 2021. During the last two months, since vaccinations opened to 35 to 60-year-olds, we have seen the most momentum in people getting vaccinated. Vaccinations opened to 18 to 34-year-olds on 20 August 2021, earlier than initially planned, and the take-up has been very encouraging with almost 300 000 vaccinations being administered per day. As of 31 August 2021, in excess of 12 million vaccinations had been administered (source: www.sacoronavirus.co.za). The success of the vaccination programme is integral to the recovery of the hospitality industry.

REVIEW OF OPERATIONS

Occupancies based on total inventory have steadily improved from the last quarter of the 2020 financial year, which ended on 4% occupancies, to slow improvements in occupancy in July 2020 of 7% when the group re-opened a total of 36 hotels as the level 5 hard-lockdown regulations were slightly relaxed and ending the financial year in June 2021 with monthly occupancy of 25% in the midst of the third wave of infections and adjusted level 4 restrictions. Occupancies for the year were 19%, compared to 38% in 2020 and 55% in 2019. Revenue for the year decreased by 56% to R0.5 billion, while operating costs, excluding depreciation and amortisation, decreased by 22%, and by 30% excluding unrealised foreign exchange losses. The operating cost reductions were mainly due to the cost-containment measures put in place from April 2020 to mitigate the extent of the losses arising from minimal revenues.

Depreciation and amortisation on owned assets decreased by 9.0%, while a depreciation charge for right-of-use assets decreased by 7%, mainly due to the impact of impairments recognised in the prior year. Interest expense decreased by R26.8 million, mainly due to the redemption and repayment of BEE preference shares and BEE interest-bearing loans, in December 2020.

The group incurred a net loss of R804.6 million (2020: R486.6 million) for the year. The prolonged recovery of the sector and the dependency on the successful vaccine roll-out has also led to the recognition of additional impairments to property plant and equipment of R390.4 million (2020: R245.5 million) mainly on the East African assets held for sale, reversal of impairment on right-of-use assets of R48.9m (2020: impairment loss R242.9 million), impairment of goodwill of R10.6 million (2020: Rnil) and impairment of VAT receivable of R25.9 million (2020: Rnil).



Commentary continued

The loss in earnings per share of 161c (2020: 440c) and the loss in headline earnings per share of 91c (2020: 128c) has improved compared to prior year, mainly due to the dilutive impact of the additional shares in issue following the rights offer.

The completion of the rights offer in August 2020 raised gross proceeds of R1.2 billion, gave a much-needed injection of liquidity and has led to the group settling its broad-based black economic empowerment (BBBEE) debt through the redemption of the BEE preference shares and settlement of accrued preference dividends, term loans and interest accrued totalling R770.9 million in December 2020.

While we have maintained a Level 4 BBBEE rating, the rights offer resulted in the unwinding of our BBBEE structure and the loss of some equity ownership. BBBEE ownership remains important to the group, and we are committed to continually improving our BBBEE credentials and maintaining our overall rating.

The group's lenders have been very supportive during the ongoing operational challenges, the prolonged pandemic and the resurgent waves of infections, which have extended the economic recovery of the hospitality sector. The group has drawn R650 million of the total available loan facilities of R800 million and also has access to an overdraft facility of R115 million. The funders recently approved an extension of the repayment date of Loan F, R100 million, from September 2021 to September 2022, and access to an additional R100 million Loan G facility (included in the total R800 million available facilities), in addition to waiving the original debt covenants to the September 2022 measurement period.

DEVELOPMENT AND DISPOSAL ACTIVITY South Africa

For the last 18 months, South Africa, like the rest of the world, has been in some form of lockdown. The severity of restrictions has changed as waves of Covid-19 infections and new variants ebb and flow. Super-spreader events such as the traditional 'Matric Rage' holiday to the coast triggered the second wave, putting a dampener on fourth quarter 2020 occupancies and profitability. The onset of winter 2021 and the new Delta virus variant resulted in a third wave and return to stricter lockdown.

Some of the innovations borne out of operating in challenging and unprecedented times are listed below:

- **#YourPrivateOffice** offers those working from home as offices remain closed a private and professional place to work for the day. The desk in the room is set up as a professional workstation and is available from 08:00 to 15:00 from R495 per day, inclusive of tea and coffee making facilities, secure parking, fast and reliable WiFi, air-conditioning, and peace and quiet.
- **Online check-in** accessed via our website and mobile app was launched in October 2020 to reduce the number of shared touchpoints in reception and speed up the check-in process.
- **QR codes** have allowed restaurants and bars to go contactless too, with guests able to access food and drinks menus and hotel service directories by scanning a QR code with their mobile phone.
- **Enhanced food and beverage** offerings as guests look for more reasons to stay in their hotel and outside restaurants are closed. A new general manager of food and beverage position was created in April 2021 to head up this initiative as the group seeks more bespoke solutions for each brand and hotel. The enhanced offering has helped attract more leisure, 'bleisure', staycation and special holiday events business.

- **Amenities free from single-use plastic** were launched to replace the existing range of in-room amenities and the range includes the Zero shampoo bar.
- **Promotions offering special rates** are run every month to help entice business and leisure travellers back into our hotels with affordable rates to suit all pockets across our hotel brands. These include special weekend or WKND Rates; WOZA Friday sales blitz that takes place every last Friday of the month for any stay during the year and is aimed at encouraging forward bookings; and monthly specials tied in with national and international holidays and events. Each has a food and beverage component to the promotion.

The 168-room **Courtyard Hotel Waterfall City opened** on 1 March 2021 and is the group's 63rd hotel. The new flagship of the Courtyard brand, which is located in the lively and vibrant Waterfall City in Midrand, marks a significant milestone in hotel design and development. It features the latest technological innovation, state-of-the-art conference facilities and a full culinary team preparing delectable cuisine. Initial trading has been encouraging.

The hotel initially opened both restaurants (The Protea and The Highline), a 100-seater conference centre, boardroom, gym, co-meeting areas, 84 bedrooms and four suites, with the remaining floors and 80 rooms opening in phases according to demand. The property has received a four-star Green Building Council SA certification that validates the sustainability initiatives implemented during the design, construction and procurement phase.

Two hotels have rebranded and repositioned their offering to better suit the market needs of the area. These were Courtyard Hotel Eastgate, now City Lodge Hotel Eastgate, and Town Lodge Sandton, Grayston Drive, now Road Lodge Sandton. The new brands and price points are

more appealing to visitors to these two areas, and ensure the properties stay relevant.

Courtyard Hotel Rosebank underwent **refurbishment** of its bedrooms and now features fresh furniture, furnishings and air-conditioning units. Other major refurbishments are on hold due to liquidity constraints but will be brought back online as demand and the economic recovery becomes more consistent and the liquidity position improves.

East Africa

Most hotels in this region had to suspend services temporarily. **Kenya** is very dependent on the international travel market and its travel restrictions have negatively affected occupancies.

Tanzania has seen steady occupancies as the hotel tries to grow its market share in the country. The business hospitality market is very dependent on North American and European travellers. The country's president passed away in March and his deputy took over, leading to signs of welcome policy changes that included better acceptance of the Covid-19 reality and adoption of protocols, which is important to boost international travel confidence.

The big news in this region for the group is the **sale of its East Africa hotels** in July 2021. The 127-room Fairview Hotel, 84-room Town Lodge Upper Hill and 171-room City Lodge Hotel at Two Rivers Mall in Nairobi, Kenya have been sold to Ukariimu Limited, which is owned by Actis Africa Real Estate, a leading global investor in sustainable real estate and infrastructure. The 148-room City Lodge Hotel Dar es Salaam in Tanzania has been sold to Faraja Limited, also owned by Actis.

The board had previously communicated its desire to dispose of its entire East African hotel portfolio together in order to reduce debt levels within the group, increase group liquidity and eliminate ongoing operating losses and further funding requirements. All the proceeds received will be



applied towards the settlement of City Lodge Hotels' interest-bearing borrowings and contribute to the working capital requirements.

Southern Africa

Namibia has seen gentle growth in occupancies, with some impact noted as South Africa goes in and out of lockdowns, as most guests emanate from South Africa.

Botswana continues to enjoy government business and trading patterns are very similar to South Africa, as it is also mainly reliant on guests from the country.

Our hotel in **Mozambique** was not yet completely opened before it had to temporarily suspend services. However, the economy of that country has started to reawaken and with that business activity, leading to recent positive demand for accommodation.

OUTLOOK

Occupancies for July 2021 were 16% for the total inventory in the South African hotels following a turbulent month of civil unrest and lockdown restrictions to travel, while August saw an improvement to 24%. As at 9 September 2021, the group has 51 out of the 56 hotels open in South Africa and five out of seven hotels open in Rest of Africa. With the third wave of infections beginning to wane and the arrival of warmer weather, the forecast for **occupancies** is positive, as travel within and between South Africa and the world begins to recover. This is in no small part due to the success of the rollout of the vaccination programme, being the catalyst to growing confidence to travel by local and international travellers. Also, local industry associations like Tourism Business Council of South Africa and South Africa Tourism are lobbying hard to get South Africa moved off the 'Red List' of all European and North American countries. Good progress has been made in this regard in Germany, Netherlands, Switzerland and Canada who have removed South Africa from their 'red-lists'.

Digital innovation and the group's information technology (IT) solutions are surging ahead and future wins are expected from the recent introduction of best available rates (BAR), coupled with an artificial intelligence (AI) demand prediction tool. These exciting initiatives will see a move away from a fixed rate for each brand and towards a rate that better reflects supply and demand. The AI tool will 'learn' our accommodation booking trends and patterns, helping to inform future pricing. Combined, these business tools provide general managers at our hotels with valuable insights and allow them to determine BAR based on their property's unique location and customer behaviour patterns.

The group's **sustainability** journey will be given a further boost as we expand the rollout of solar panels to more hotels. We have plans for the installation of a filtered borehole water supply in Gqeberha, to ensure the sustained supply of clean, usable water at some of the hotels, as the local water supply situation remains dire.

We remain cautiously optimistic that the worst of the Covid-19 pandemic is behind us, as an encouraging portion of the South African population has been vaccinated, and very soon we can all once again embrace the freedom of travel and hospitality, and start **#GettingBackToLife**. There is pent-up demand as we emerge from the 18-month confinement within our homes, to begin to explore, socialise and experience life. We have all made the many sacrifices necessary to try and limit the spread of this deadly virus. Now let us reward ourselves with a return to travel and City Lodge Hotel Group's promise of TLC – tip-top, loving and clean hospitality coupled with service excellence.

We offer you the opportunity to live, breathe, taste and experience the great places that South Africa and its neighbouring countries have to offer once again, while providing a safe place to lay your head. We have taken care of all of your Covid-19 safety and hygiene protocols so that you can relax and enjoy what life has to offer.

Condensed consolidated statement of comprehensive income

R000	Note	(Reviewed)	%	(Audited)
		Year ended 30 June 2021		Change
Revenue	10	507 816	(56)	1 159 283
Other income		2 173		4 829
Administration and marketing costs		(74 640)		(97 314)
BEE transaction charges		(1 223)		(288)
Expected credit loss on trade and other receivables		(2 215)		(268)
Operating costs excluding depreciation and amortisation		(570 407)	(22)	(735 848)
(Loss)/profit from operating activities before depreciation and amortisation		(138 496)	(142)	330 394
Depreciation and amortisation		(119 959)		(131 156)
Depreciation – right-of-use assets		(85 894)		(92 302)
(Loss)/profit from operating activities		(344 349)	(422)	106 936
Impairment loss on property, plant and equipment	4	(390 443)		(245 464)
Disposal groups held for sale		(299 967)		–
Other		(90 476)		–
Impairment reversal/(loss) on right-of-use assets	4	48 945		(242 889)
Disposal groups held for sale		22 595		–
Other		26 350		–
Impairment on goodwill	4	(10 602)		–
Impairment of other assets	4	(25 879)		–
Impairment of disposal group	5	(9 600)		–
Interest income		7 746	166	2 914
Total interest expense		(177 415)	(13)	(204 212)
Interest expense ¹		(39 756)		(34 569)
Interest expense – leases		(119 031)		(117 214)
BEE interest expense		(1 417)		(4 060)
BEE preference dividend		(17 211)		(48 369)
Loss before taxation		(901 597)	55	(582 715)
Taxation		96 988		96 083
Loss for the year		(804 609)	65	(486 632)
Other comprehensive income items that are or may be reclassified to profit or loss				
Foreign currency translation differences ²		(19 905)		52 128
Total comprehensive income for the year		(824 514)	90	(434 504)
Basic earnings per share (cents) ³		(161)	(63)	(440)
Basic diluted earnings per share (cents) ³		(161)	(63)	(440)

¹ Interest expense for the year ended to 30 June 2021 increased due to a reduction in interest capitalised to hotels under construction of R0.3 million (2020: R26.2 million) following completion of those hotels.

² Foreign currency translation differences are largely due to (weakening)/strengthening of the Tanzanian Shilling compared to the SA Rand.

³ The comparative basic earnings per share have been restated in terms of IAS 33.28 as a result of the rights offer in August 2020 contained a bonus element.



Condensed consolidated statement of financial position

		(Reviewed) 30 June 2021	(Audited) 30 June 2020
R000	Note		
ASSETS			
Non-current assets		2 739 988	3 617 316
Property, plant and equipment		1 671 924	2 509 752
Right-of-use assets		998 262	985 014
Intangible assets and goodwill		39 900	57 422
Investments		800	800
Other investments		–	7 900
Deferred taxation		29 102	56 428
Current assets		613 494	241 088
Inventories		3 296	5 540
Trade receivables		17 586	18 877
Other receivables		95 639	137 602
Taxation		37 531	42 756
Other investments		–	7 900
Cash and cash equivalents		5 477	28 413
Assets held for sale	5	159 529 453 965	241 088 –
Total assets		3 353 482	3 858 404
EQUITY			
Capital and reserves		936 357	568 316
Stated capital	6	1 324 717	179 503
Treasury shares		(510 928)	(514 381)
Retained earnings		9 957	712 683
Other reserves		112 611	190 511
LIABILITIES			
Non-current liabilities		2 043 884	2 260 101
Interest-bearing borrowings	7	650 000	750 000
Lease liabilities		1 365 591	1 376 063
Deferred taxation		28 293	134 038
Current liabilities		373 241	1 029 987
Trade and other payables		175 372	170 336
Lease liabilities		24 516	12 377
BEE interest-bearing borrowings	8	–	44 120
BEE preference shares	8	–	349 300
BEE shareholder's loan	8	–	50 000
BEE B preference share dividend accrual	8	–	356 416
Bank overdraft		89 651	47 438
Liabilities directly associated with assets held for sale	5	289 539 83 702	1 029 987 –
Total liabilities		2 417 125	3 290 088
Total equity and liabilities		3 353 482	3 858 404

Condensed consolidated statement of cash flows

	(Reviewed) Year ended 30 June 2021	(Audited) Year ended 30 June 2020
R000		
Operating cash flow before working capital changes	(121 416)	264 004
Decrease in working capital	24 155	9 254
Cash (utilised in)/generated by operations	(97 261)	273 258
Interest received	7 746	2 914
Interest paid	(45 350)	(77 114)
Interest paid – leases	(119 031)	(117 214)
Taxation refunded/(paid)	4 052	(37 529)
Dividends paid	–	(108 214)
Distribution to employees by 10th Anniversary Employee Share Trust	(703)	–
Cash outflow from operating activities	(250 547)	(63 899)
Cash utilised in investing activities	(77 288)	(102 642)
– investment to maintain property, plant and equipment	(2 709)	(53 749)
– investment to expand property, plant and equipment	(74 579)	(49 035)
– proceeds on disposal of property, plant and equipment	–	142
Cash inflows from financing activities	265 310	66 355
– repayment of lease liability	(15 190)	(15 005)
– purchase of incentive scheme shares	–	(2 940)
– proceeds from sale of rights	66 396	–
– purchase of treasury shares in rights offer	(66 396)	–
– proceeds from interest-bearing borrowings	180 000	90 000
– repayment of interest-bearing borrowings	(280 000)	–
– repayment of BEE interest-bearing borrowings	(44 120)	–
– payment of BEE preference share dividends accrued	(371 099)	–
– redemption of BEE preference shares	(349 300)	(5 700)
– repurchase of ordinary shares	(574)	–
– net proceeds from rights offer	1 145 593	–
Net decrease in cash and cash equivalents	(62 525)	(100 186)
Cash and cash equivalents at the beginning of the year	(19 025)	71 046
Reclassification of other investments to cash and cash equivalents	15 800	6 577
Effect of movements in exchange rates on other investments	–	(2 727)
Effect of movements in exchange rates on cash held	(3 747)	6 265
Cash and cash equivalents at the end of the year	(69 497)	(19 025)

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



Condensed consolidated statement of changes in equity

R000	Stated capital	Treasury shares ¹	Other reserves	Retained earnings	Total
Balance at 30 June 2019	179 503	(518 014)	137 683	1 307 529	1 106 701
Total comprehensive income for the year	–	–	52 128	(486 632)	(434 504)
Loss for the year	–	–	–	(486 632)	(486 632)
<i>Other comprehensive income</i>					
Foreign currency translation differences	–	–	52 128	–	52 128
Transactions with owners, recorded directly in equity	–	3 633	700	(108 214)	(103 881)
Incentive scheme shares	–	3 633	(6 573)	–	(2 940)
Share compensation reserve	–	–	7 273	–	7 273
Dividends paid	–	–	–	(108 214)	(108 214)
Balance at 30 June 2020	179 503	(514 381)	190 511	712 683	568 316
Total comprehensive income for the year	–	–	(19 905)	(804 609)	(824 514)
Loss for the year	–	–	–	(804 609)	(804 609)
<i>Other comprehensive income</i>					
Foreign currency translation differences	–	–	(19 905)	–	(19 905)
Transactions with owners, recorded directly in equity	1 145 214	3 453	(57 995)	101 883	1 192 555
Issue of new ordinary shares	1 145 593	–	–	–	1 145 593
Repurchase of ordinary shares	(379)	–	–	(195)	(574)
Proceeds from sale of rights	–	66 396	–	–	66 396
Purchase of treasury shares in rights offer	–	(66 396)	–	–	(66 396)
Incentive scheme shares	–	3 453	(3 453)	–	–
Share compensation reserve	–	–	(1 761)	–	(1 761)
Distribution to employees by 10th Anniversary Employee Share Trust	–	–	–	(703)	(703)
Reclassification of the equity portion of the BEE shareholder's loan and BEE share-based payment reserve	–	–	(52 781)	52 781	–
Gain on waiver of BEE shareholder's loan	–	–	–	50 000	50 000
Balance at 30 June 2021	1 324 717	(510 928)	112 611	9 957	936 357

¹ The heading has changed from 'BEE investment and incentive scheme shares' in the prior year, following the BEE indirect repurchase completed during the year.

Supplementary financial information

R000	Note	Year ended 30 June 2021	% change	Year ended 30 June 2020
1. Headline earnings reconciliation				
Loss for the year		(804 609)		(486 632)
Profit on sale of property, plant and equipment		–		(6)
Impairment loss on property, plant and equipment		390 443		245 464
Impairment reversal/(loss) on right-of-use-assets		(48 945)		242 889
Impairment of goodwill		10 602		–
Taxation effect		(2 665)		(143 797)
Headline earnings		(455 174)	220	(142 082)
Number of shares in issue (000's)	3	571 645		36 677
Weighted average number of shares in issue for EPS calculation (000's) ¹	2	501 001		110 661
Weighted average number of shares in issue for diluted EPS calculation (000's) ¹	2	501 001		110 661
Headline earnings per share (cents) ¹	1			
– undiluted		(90.9)	(29)	(128.4)
– fully diluted		(90.9)	(29)	(128.4)
2. Weighted average number of shares (000's)				
Total number of weighted average number of shares in issue		536 546		131 469
Treasury shares/BEE share investment held as treasury shares		(32 922)		(19 281)
10th Anniversary Employees Share Trust treated as treasury shares		(2 623)		(1 527)
Weighted average number of shares in issue for EPS and HEPS calculations¹		501 001		110 661
3. Number of shares in issue reconciliation (000's)				
Total number of shares in issue		609 860		43 574
Treasury shares/BEE share investment held as treasury shares		(35 394)		(6 390)
10th Anniversary Employees Share trust investment held as treasury shares		(2 821)		(507)
Net of treasury shares in issue		571 645		36 677
4. Net asset value per share (cents)		164		1 550
5. Net tangible asset value per share (cents)		157		1 393
6. Net replacement asset value per share (cents)		1 044		
7. Dividend declared per share (cents)				
– interim		–		153.0
– final		–		–

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



Notes to reviewed condensed consolidated financial statements

for the year ended 30 June 2021

1. Basis of preparation for the condensed consolidated financial statements

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

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The reviewed condensed consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2020.

The condensed consolidated financial statements have been presented on the historical cost basis, and is presented in Rand thousands which is City Lodge's functional and presentation currency.

These condensed consolidated financial statements have been prepared under the supervision of Ms D Nathoo CA(SA), in her capacity as chief financial officer and have been authorised. The directors take full responsibility for the preparation of the provisional report.

2. Review report of the independent auditor

These condensed consolidated financial statements for the year ended 30 June 2021 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion.

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

3. Significant judgements and estimates

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

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. 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 estimates and assumptions 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.

3. Significant judgements and estimates continued

In particular, in addition to information about impairments set out in note 4 and going concern set out in note 16, information about significant areas of estimation, uncertainty and critical judgements, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in relation to the following:

Measurement of share-based payments

Equity-settled share appreciation right scheme

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

The performance conditions are that the normalised headline earnings per share (HEPS) should increase:

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

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

Measurement of share-based payments

If the SARs remain unexercised after a period of seven years from grant, they expire. Furthermore, unexercised SARs are forfeited if the employee leaves the group before they expire. Fair value is measured using an American binomial valuation model. Expected volatilities are 90% based on short, medium and long-term historical volatilities, with cognisance taken of market conditions to explain the variance from historical data. No other features, other than disclosed, of the option grant were incorporated into the measurement of fair value.

Equity-settled 10th anniversary employee share plan

The group plan provides for an annual share distribution equal to half of the financial year's capital growth, if any, of the portfolio of City Lodge shares held by the trust. The distributions to eligible employees (employees in the service of the group for at least one year) are equity-settled three months after year-end, provided that the portfolio's market value at year-end exceeds the market value at the previous year-end. Entitlements are forfeited if the employee leaves the group's service before 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.

Measurement of deferred tax assets and liabilities

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. Judgement is required in assessing whether deferred tax assets will be recovered through future profits.



Notes to reviewed condensed consolidated financial statements continued

for the year ended 30 June 2021

4. Impairment of property, plant and equipment, right-of-use assets, goodwill and other assets

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

During the year ended 30 June 2021, the group impaired property, plant and equipment by R390.4 million (2020: R245.5 million) mainly on impairment to fair value less cost to sell of East African assets held for sale and reversed impairments on right-of-use assets by R48.9 million (2020: impairment losses R242.9 million). The recoverable amount has been determined by calculating either the value in use using a discounted cash flow model (DCF) or fair value less costs to sell. The discount rate utilised in the valuation was 16.0% in the next financial year, reducing to a normalised level of 15.4% by 2023 for South African hotels and range between 13.7% and 20.0% for Rest of Africa hotels. Management has forecast a gradual recovery from the third wave and the local insurrection in the first quarter of the financial year, with steady growth in occupancies in the second quarter and beyond, as the success of the vaccination programmes enable the economy to open further. Cash flows for the remainder of 2022 will remain constrained with the group assumed to reach break-even EBITDA levels in and around the third quarter of the 2022 financial year. Occupancy and trading levels are assumed to return to 2019 financial year levels within the 2023 financial year. The annual growth rate applied to cash flow forecasts for established hotels for 2024 to 2026 financial years is 5%. The terminal growth rate applied is 4.5% for South African hotels and ranges between 3% and 6.5% for the Rest of Africa hotels. Fair value less costs to sell, was based on comparable sales where information was available, or alternate use development and comparable sales in the immediate vicinity of the hotel. Impairment of assets held-for-sale has been based on the agreed sales consideration with the buyer.

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

R000	2021		
	Property, plant and equipment	Right-of-use asset	Total
South Africa	27 317	(22 434)	4 883
Rest of Africa	363 126	(26 511)	336 615
Disposal groups held for sale	299 967	(22 594)	277 373
Other	63 159	(3 917)	59 242
	390 443	(48 945)	341 498
	2020		
R000	Property, plant and equipment	Right-of-use asset	Total
South Africa	29 492	167 864	197 356
Rest of Africa	215 972	75 025	290 997
	245 464	242 889	488 353

4. Impairment of property, plant and equipment, right-of-use assets, goodwill and other assets continued

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

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

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

4.2 Impairment of goodwill

The recoverable amount of goodwill related to the individual Courtyard Hotels cash generating units (CGUs) was considered at the same time as the impairment assessment of hotels property, plant and equipment, and right-of-use assets as described above was performed.

The impairment loss of R10.6 million has arisen on Courtyard Hotels following the continued impact of the Covid-19 pandemic on trading operations and the fair value less cost to sell of the CGUs.

4.3 Impairment of other assets

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



Notes to reviewed condensed consolidated financial statements continued

for the year ended 30 June 2021

5. Disposal groups held for sale

In July 2021, the group entered into two sale of share transactions for the disposal of 100% of shares in Fairview Hotel Limited in Kenya, and the disposal of 100% of shares in CLHG Tanzania Limited, in Tanzania (refer to note 15). The operations of these companies are included in the 'Central office and other' segment for operational purposes, and 'Rest of Africa' segment for geographical information as reported in note 11 *Segment analysis*. Management has considered the requirements in IFRS 5 for disposal groups to be classified as available for sale and are satisfied that they have been met at 30 June 2021. Accordingly, these subsidiaries are presented as disposal groups held for sale. The disposals are subject to the fulfilment of customary conditions precedent, including approvals or consent from competition or anti-trust authorities to the extent legally required, within 22 weeks from the date of signature.

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

R000	2021
Assets held for sale	453 967
Property, plant and equipment	359 919
Right-of-use assets	53 770
Deferred tax assets	20 093
Current assets	5 508
Cash and cash equivalents	14 677
Liabilities directly associated with assets held for sale	(83 702)
Lease liabilities	(61 101)
Trade and other payables	(9 794)
Deferred tax liabilities	(12 807)
Net assets held for sale	370 265

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

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

6. Stated capital

In July 2020, the company converted its ordinary shares from par value shares of 10 cents each to no par value shares. The company also increased its authorised share capital by a further 9 950 000 000 shares to a total of 10 billion authorised shares for the purposes of the Rights Offer.

In August 2020, the company completed a rights offer which entitled qualifying shareholders 13 rights for every one existing City Lodge ordinary share held at a subscription price of R2.12. The company issued 566 460 609 ordinary shares.

Additionally in February 2021, the company acquired and delisted 175 000 ordinary shares at a consideration price of R3.28 from a dissenting shareholder.

7. Interest-bearing borrowings

R000	2021	2020
The Loan C is a revolver facility of R400 million (2019: R300 million) in total and bears interest at the one, three or six-month JIBAR plus 2.75 (2019: 2.10) percentage points, depending on the election made upon drawdown. Outstanding loan capital is repayable by 31 August 2023.	350 000	300 000
The Loan D is a term loan facility of R200 million (2019: R450 million) in total and bears interest at the one, three or six-month JIBAR plus 2.65 (2019: 2.10) percentage points, depending on the election made upon drawdown. Outstanding loan capital is repayable by 31 December 2022.	200 000	450 000
The Loan E was a term loan facility of R200 million secured in June 2020, and repayable on completion of the rights offer. R30 million was drawn in August 2020. The loan was settled in full from the proceeds of the rights offer.	–	–
The Loan F is a term loan facility – bridge to asset sale of R100 million in total and bears interest at the one-month JIBAR plus 3.25 percentage points. Final maturity is 21 September 2022.	100 000	–
The Loan G is a revolver loan facility of R100 million in total and bears interest at the one-month JIBAR plus 3.25 percentage points. Final maturity is 21 September 2022. The facility remains undrawn.	–	–
	650 000	750 000

The movement in interest-bearing borrowings during the year is as follows:

R000	2021	2020
Balance at the beginning of the year	750 000	660 000
Borrowings raised	180 000	90 000
Borrowings repaid	(280 000)	–
Interest charged	37 125	59 825
Interest paid	(36 120)	(63 915)
	651 005	745 910
Balance at the beginning of the year – interest	1 398	5 488
Interest accrued included in sundry accruals	(2 403)	(1 398)
Balance at the end of the year	650 000	750 000



Notes to reviewed condensed consolidated financial statements

continued
for the year ended 30 June 2021

8. BEE liabilities

As at 14 December 2020 the company using the proceeds from the rights offer, acquired 99.99% of the ordinary shares in the BEE special purpose vehicles (SPVs). The BEE SPVs applied the proceeds from the share issue to settle the outstanding interest-bearing borrowings, preference shares and accrued interest and dividends totalling R770.9 million.

In addition, the BEE shareholder, Vuwa Investments Proprietary Limited, waived the repayment of the shareholder's loan of R50 million.

9. Fair value measurements of financial instruments

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

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

10. Revenue

The group derives revenue at a point in time, together with its customer reward programmes which are recognised as they are redeemed or expire. The group has no contract assets or contract liabilities.

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

	Year ended 30 June 2021	Year ended 30 June 2020
R000		
Accommodation	432 719	990 556
Food and beverage	66 544	154 316
Other revenue	8 553	14 411
	507 816	1 159 283
Primary geographical markets		
South Africa	469 791	1 047 348
Rest of Africa	38 025	111 935
	507 816	1 159 283

11. Segment analysis

The segment information has been prepared in accordance with IFRS 8 *Operating Segments* which defines the requirements for the disclosure of the financial information of an entity's operating segments.

The standard requires a 'management approach' whereby segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker(s) who have been identified as the group's executive directors. These individuals review the group's internal reporting by hotel brand in order to assess performance and allocate resources. Depreciation for reportable segments is an asymmetrical expense as assets are not classified by segment. The depreciation charge for each reportable segment relates to furniture, fitting and equipment, while the majority of the charge for central office and other relates to hotel buildings. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Year ended 30 June

	City Lodge Hotel		Town Lodge		Road Lodge		Courtyard Hotel		Central office and other		Total	
R000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	257 224	600 159	65 832	171 107	126 122	224 906	20 613	51 176	38 025	111 935	507 816	1 159 283
(Loss)/profit from operating activities	14 109	239 069	(31 139)	32 935	9 635	73 467	(22 798)	1 148	(314 156)	(239 683)	(344 349)	106 936
Depreciation and amortisation	13 251	20 853	8 678	8 991	10 951	11 410	3 258	3 524	83 821	86 378	119 959	131 156
Depreciation – leases	–	–	–	–	–	–	–	–	85 894	92 302	85 894	92 302
Adjusted EBITDA	27 360	259 922	(22 461)	41 926	20 586	84 877	(19 540)	4 672	(144 441)	(61 003)	(138 496)	330 394
Land and hotel building rental	–	–	–	–	–	–	–	–	1 784	5 793	1 784	5 793
Adjusted EBITDAR	27 360	259 922	(22 461)	41 926	20 586	84 877	(19 540)	4 672	(142 657)	(55 210)	(136 712)	336 187

Geographical information

	South Africa		Rest of Africa		Total	
R000	2021	2020	2021	2020	2021	2020
Revenue	469 791	1 047 348	38 025	111 935	507 816	1 159 283
Property, plant and equipment (non-current and current)	1 359 339	1 398 885	672 504	1 110 867	2 031 843	2 509 752
Right-of-use assets (non-current and current)	932 979	874 775	119 053	110 053	1 052 032	985 014



Notes to reviewed condensed consolidated financial statements continued

for the year ended 30 June 2021

12. Standards and interpretations issued not yet effective

The group does not anticipate that any standards, interpretations or amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2021 or later periods, which the group has not early adopted, would have a material impact on the group.

13. Capital commitments

As at 30 June 2021, the directors had authorised a total of R163.0 million for maintenance and expansion capital items, of which R49.3 million is committed and is anticipated to be spent by 30 June 2022. R25.6 million of the committed capital expenditure has been contracted. Given the uncertainty created by the Covid-19 pandemic, the remaining R113.7 million of authorised spend has been put on hold.

14. Contingent liabilities

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

15. Subsequent events

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

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

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

16. Going concern

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

The group has incurred a net loss for the year ended 30 June 2021 of R804.6 million (2020: R486.6 million). The losses were mainly attributable to the restricted trading operations due to the pandemic and government restrictions and regulations across the world to contain the spread of infections which limited travel and social interactions, and impairment of property, plant and equipment of R390.4 million based mainly on the fair value less cost to sell hotels mostly outside of South Africa. The impact of the prolonged economic recovery from the Covid-19 pandemic and the resurgent waves of infections has impacted the length of time it will take to return to pre-Covid-19 levels of operations and break-even. As at 30 June 2021, the group has a net cash and cash equivalents overdraft of R69.5 million (2020: R19.0 million). Current liabilities exceeded its current assets (excluding assets held for sale) by R130 million (2020: R788.9 million) relating primarily to the bank overdraft position, and increase in current portion of lease liabilities.

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

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

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



Notes to reviewed condensed consolidated financial statements

continued

for the year ended 30 June 2021

17. Dividend

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

The JSE Link to the announcement is <https://senspdf.jse.co.za/documents/2021/jse/isse/CLH/ye2021.pdf>.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

9 September 2021

Notice of Annual General Meeting

CITY LODGE HOTELS LIMITED

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

Notice is hereby given that the thirty-fifth annual general meeting of shareholders of City Lodge Hotels Limited ("AGM") will be held electronically on Thursday, 25 November 2021 at 14:00 for purposes of dealing with the following business and considering and, if deemed fit, passing with or without modification, the resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (Companies Act) and the JSE Listings Requirements.

IMPORTANT DATES, PROXIES AND VOTING

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

- distribution of the notice of the AGM: Friday, 22 October 2021
- last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 16 November 2021
- record date to participate in and vote at the AGM: Friday, 18 November 2021

Last date for lodging forms of proxy with transfer secretaries, Tuesday, 23 November 2021 (refer note 4 on page 166 of the Integrated report (IR)).

AGM to be held at 14:00 on Thursday, 25 November 2021.

Results of the AGM will be announced on SENS on Friday, 26 November 2021.

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

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

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

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



Notice of Annual General Meeting continued

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

Note

To adopt:

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

ELECTRONIC PARTICIPATION

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

Shareholders wishing to participate electronically are required to:

1. register online using the online registration portal at www.smartagm.co.za by no later than 14:00 on Tuesday, 23 November 2021; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 14:00 on Tuesday, 23 November 2021. However, this will not in any way affect the rights of shareholders to register for electronic participation at the AGM after this date, provided, however, that only those shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the AGM, will be allowed to participate in and/or vote by electronic means. The electronic participation form can be found as an insert in this notice of AGM. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

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

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

The company will inform participants who notified Computershare of their intended participation in accordance with the notice of AGM, by no later than 14:00 on Wednesday, 24 November 2021 by email of the relevant details through which participants can participate electronically.

The cost (e.g. mobile data consumption or internet connectivity) of electronic participation in the AGM will be for the participant's account.

The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the company and its directors/employees/company secretary/transfer secretary/service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company or its directors/employees/company secretary/transfer secretary/service providers, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM, including but not limited to loss of network connectivity or other network failures due to insufficient airtime or data, internet connectivity, internet bandwidth and/or power outages.

City Lodge cannot guarantee there will not be a break in electronic communication that is beyond the control of the company.

AS ORDINARY BUSINESS

1. **To present the consolidated audited annual financial statements for the year ended 30 June 2021**
(as set out on pages 113 to 156 of the IR), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.
2. **The Social and Ethics Committee report**
The Social and Ethics Committee report is presented on pages 99 to 100 of the IR. The chairman of the Social and Ethics Committee is available to report to shareholders at the AGM.
3. **Ordinary resolution number 1: Re-election of directors retiring by rotation**
To elect, by way of a series of votes, the following directors who retire in accordance with the provisions of the Companies Act, and the company's Mol, and who, being eligible and available, offer themselves for re-election, as may be applicable:
 - Ordinary resolution number 1.1 "RESOLVED THAT Dr M S P Marutlulle be and is hereby re-elected as a director of the company,"
 - Ordinary resolution number 1.2 "RESOLVED THAT Mr S G Morris be and is hereby re-elected as a director of the company,"
 - Mr VM Rague, who is retiring by rotation and, although eligible, has not made himself available for re-election and retires from the board with effect from the close of the AGM.

Refer to pages 16 and 17 of the IR for brief curricula vitae of the directors retiring by rotation.

The board has considered the performance and contribution of each of the directors offering themselves for re-election and in line with governance best practice, the continued independence of those non-executive directors who have served for longer than nine years is evaluated annually. Such evaluation takes into account factors that may impair independence, further details of which can be found on page 69 of the IR. Following an extensive review taking into account the independence recommendations of King IV, and the outcome of the annual internal assessment conducted separately by a sub-committee of the board constituted for the purposes of assessing independence and classifying directors, Mr Morris who has served on the board for longer than nine years was determined to be independent in character and judgement, and continues to make valuable contributions to board deliberations in an objective and unbiased manner.



Notice of Annual General Meeting continued

In reviewing its composition, including gender and racial balance (diversity), the board in addition to evaluating the independence of these directors, has considered their individual expertise, knowledge, performance and contribution and is satisfied that the composition of the board reflects the appropriate balance of knowledge, skills, experience, competencies in industries and fields relevant to the group's business operations, diversity and independence to execute its roles and responsibilities effectively. In addition the board has also considered the following additional key criteria:

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

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

4. Ordinary resolution number 2: Election and appointment of directors

To elect, by way of a series of votes, the following directors:

- Ordinary resolution number 2.1 "RESOLVED THAT Mr S J Enderle, who was first appointed to the board on 1 April 2021 after the previous AGM, be and is hereby elected as a non-executive director of the company."

Mr Enderle, who was appointed to the board since the last AGM, is required to retire at the AGM following his appointment and, being eligible, offers himself for election by shareholders.

Please refer to page 17 of the IR for Mr S J Enderle's brief curriculum vitae.

- Ordinary resolution number 2.2 "RESOLVED THAT Mr R M Kgosana be and is hereby elected as an independent non-executive director of the company, to fill the vacancy arising following Mr Rague's retirement as director.

Age: 62

Qualifications: BCompt Hons, CA(SA), Executive Development Programme, Diploma (GIBS).

Experience and expertise: Accounting, auditing and advisory. Founding member of KMMT Chartered Accountants in 1993 prior to it merging with KPMG in 1999. CEO of KPMG South Africa and Chairman of KPMG Africa. KPMG International Board member until 2015.

Previously served on the boards of Alexander Forbes, Imperial Holdings, Massmart Holdings, Transaction Capital, AECI, SAICA and IRBA. Chaired Accounting Practice Board, member of IFRS Advisory Council of the IASB and president of the Association for the Advancement of Black Accountants in Southern Africa.

Currently serves on the boards of Phembani Group, MOGS Proprietary Limited, Clinix Group and The Nelson Mandela Children's Hospital.

- Ordinary resolution number 2.3 "RESOLVED THAT Mr A R Lapping be and is hereby elected as an independent non-executive director of the company."

Age: 44

Qualifications: BSc Engineering (cum laude), BCom Accounting, CFA Charter holder.

Experience and expertise: 20-year career with Allan Gray occupying various roles covering trading, equity analysis, portfolio management until he was appointed Chief Investment Officer and Executive Director in 2016. Extensive expertise in asset management governance, specifically ESG and executive remuneration.

Currently serves as trustee on the Allan Gray Orbis Foundation Endowment.

The Remcom has assessed the eligibility of the candidates, which the board has accepted. Refer to page 68 of the IR for more detail. Accordingly the board recommends the elections to shareholders.

5. Ordinary resolution number 3: Appointment of external auditor

Upon the recommendation of the audit committee to appoint PWC Inc. as the independent auditor of the company for the ensuing year to hold office until the next AGM, with Ms Alinah Motaung as the designated partner, and to authorise the audit committee to determine the auditor's terms of engagement and remuneration.

"RESOLVED THAT PWC Inc. be and is hereby appointed as the auditor of the company for the ensuing year, with Ms Alinah Motaung as the designated partner and that the audit committee be and is hereby authorised to determine the auditor's terms of engagement and remuneration."

6. Ordinary resolution number 4: Appointment of group audit committee members

To elect, by way of a series of votes, and subject, where necessary, to their election or re-election as directors of the company in terms of ordinary resolutions 1 and 2, the following independent non-executive directors as members of the audit committee to hold office until the next AGM:

- Ordinary resolution number 4.1 "RESOLVED THAT Mr S G Morris be and is hereby elected as a member and the chairman of the audit committee"
- Ordinary resolution number 4.2 "RESOLVED THAT Mr G G Huysamer be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 4.3 "RESOLVED THAT Mr F W J Kilbourn be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 4.4 "RESOLVED THAT Ms N Medupe be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 4.5 "RESOLVED THAT Mr R M Kgosana be and is hereby elected as a member of the audit committee"
- Ordinary resolution number 4.6 "RESOLVED THAT Mr A R Lapping be and is hereby elected as a member of the audit committee"



Notice of Annual General Meeting continued

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

7. Ordinary resolution number 5: Authority to implement resolutions

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

8. Advisory vote: Remuneration policy and implementation report

8.1 To endorse, by way of a non-binding advisory vote, the company’s remuneration policy as set out on pages 85 to 93 of the IR.

8.2 To endorse, by way of a non-binding advisory vote, the company’s remuneration implementation report as set out on pages 94 to 98 of the IR.

In terms of King IV, an advisory vote on the company’s remuneration policy and the implementation thereof should be obtained from shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof. In the event that the policy is voted against by 25% or more of the voting rights exercised, the company undertakes to engage with shareholders in order to determine how to address their legitimate and reasonable concerns. Such engagements will be communicated in the voting result announcement.

9. Special resolution number 1: Approval of non-executive directors’ remuneration

“RESOLVED THAT the remuneration payable to non-executive directors be approved as follows:

R	Annual fee excluding VAT payable 1 July 2021 to 30 June 2022	Hourly rate excluding VAT payable 1 July 2021 to 30 June 2022
Chairman of the board	1 113 000	
Deputy chairman	360 150	
Services as a director	275 100	
Chairman of the audit committee	193 200	
– Other audit committee members	88 725	
Chairman of the remuneration and nominations committee	170 100	
– Other remuneration and nominations committee members	76 650	
Chairman of the risk committee	132 300	
– Other risk committee members	60 375	
Chairman of the social and ethics committee	87 150	
Other social and ethics committee members	40 000	
Ad hoc committee		2 205 capped at a total of 60 000

The chairman’s fee is inclusive of all board and committee commitments as well as other responsibilities across the group.

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

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

The board, on the recommendation of the remuneration and nominations committee following consultation with management has proposed the fees which represent a five percent increase, noting no increase was requested at the 2020 AGM and that the last increase was approved at the AGM in 2019.

Refer to page 140 of the IR for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 85 to 98 of the IR for further detail on the company’s remuneration practices.

This resolution, if approved, will from 1 July 2021 supersede the resolution passed at the annual general meeting on 11 December 2020.

10. Special resolution number 2: Financial assistance

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

The reason for and effect of special resolution number 2

Notwithstanding the title of section 45 of the Companies Act, being “Loans or other financial assistance to directors”, on a proper interpretation, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation and to a person related to any such company, corporation or member.

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



Notice of Annual General Meeting continued

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

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

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

- (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and
- (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

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

OTHER BUSINESS

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

By order of the board

Melanie van Heerden
Group company secretary

Bryanston
28 October 2021

Notes



Notes to the form of proxy

1. A City Lodge shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A City Lodge shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned, together with proof of identification and authority to do so (where acting in a representative capacity), to the transfer secretary, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or proxy@computershare.co.za so as to be received by the transfer secretary no later than 14:00 on Tuesday, 23 November 2021, provided that any form of proxy not delivered to the transfer secretary by this time and date may (i) be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM or (ii) submitted to the company secretary immediately before the commencement of the AGM. Shareholders are strongly encouraged to submit their proxies prior to the AGM so as to avoid delays to the commencement thereof due to the verification process that will need to be carried out.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from connecting electronically to the AGM and speaking and voting by way of electronic means to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.
9. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the City Lodge shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered.

Administration

City Lodge Hotels Limited

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

Directors

B T Ngcuka (Chairman), A Widegger (Chief executive officer)*,
G G Huysamer, F W J Kilbourn, M S P Marutlulle, N Medupe,
S G Morris, D Nathoo*, V M Rague†, L G Siddo*, S Enderle#
**Executive †Kenyan # South African and Swiss*

Transfer secretaries

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

Company secretary

M C van Heerden

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited



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