

EMBRACING WELLNESS

NOTICE OF ANNUAL GENERAL MEETING 2022



CITY LODGE HOTEL GROUP



MESSAGE FROM THE CHAIRMAN

DEAR SHAREHOLDER

This summary of our financial results for the year ended 30 June 2022 also includes an executive overview of our performance as published on the Stock Exchange News Service (SENS) on Wednesday, 21 September 2022.

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

The 2021/2022 financial year has been a hive of activity both globally and locally, commencing with insurrection in KwaZulu-Natal and Gauteng and the ebb and flow of the third wave of Covid-19 infections globally. During the year under review there has been steady improvement in travel confidence as the severity of each wave of Covid-19 infections diminished, and people became fatigued by being confined to their homes. The second half of the year has seen a refreshing revival of travel and hospitality and we have embraced and welcomed the return of our long awaited guests.

As much as this year has been about our recovery from the pandemic, it has also been about right-sizing the organisation to ensure sustainability and the ability to optimise operations for future successes. After several years of operating in East Africa, we completed the sale of our three hotels in Nairobi, Kenya (Fairview Hotel, Town Lodge Upper Hill and City Lodge Hotel at Two Rivers Mall) and City Lodge Hotel Dar es Salaam, Tanzania to their new owners on 30 June 2022. From 1 July 2022, these four hotels no longer form part of the group. We now have 7 534 (2021: 8 070) rooms across 59 (2021: 63) hotels in four southern African countries.

The steady improvement in occupancies and demand for hospitality services over the last few months led to average group occupancies, based on total rooms inventory, of 38% for the year ended 30 June 2022 (2021: 19%) and 40% (2021: 26%) based on the open hotels. Occupancies for the SA hotels averaged 40% (2021: 21%) and 42% (2021: 28%) for open hotels, respectively. The group started the financial year with 89% of its 63 hotels open and by February 2022 opened all of its hotels except one in Nairobi.

Revenue for the year increased by 117% to R1.1 billion, with food and beverage contribution to revenues increasing by 150%, following the launch of our lunch and dinner *Eat-In* offering at our Town Lodge and Road Lodge brands. We are elated that improved occupancies, and the re-opening of all hotels has led to the reinstatement to full salaries from May 2022, following cost containment salary reductions over the last two years. This together with the re-opening of all our hotels and increased occupancies has however resulted in a 32% increase

in the salaries and wages expense (R372.7 million) from the prior year. The normalisation of trading and the associated increase in variable expenses has led to a 26% increase in 'Total operating costs', which includes salaries and wages, property costs and other operating costs and a 47% increase excluding unrealised foreign exchange gains and losses. Total operating costs per room sold excluding unrealised foreign exchanges gains and losses reduced by 27%.

The group generated EBITDAR for the year of R303.2 million (2021: loss of R136.7 million), and an EBITDAR margin of 27% (2021: EBITDAR loss margin 27%). EBITDAR margin for the group, excluding unrealised foreign exchange gains and losses, was 20%.

The group recognised exceptional transactions during the year which included an accounting profit on disposal of its East African operations of R88.3 million, representing a recovery of accumulated losses in prior years, and net impairment reversals of R57.2 million.

The improved performance following the easing of lockdown restrictions resulted in a profit after tax for the year of R81.7 million (2021: net loss of R804.6 million), earnings per share of 14.3 cents (2021: loss per share 160.6 cents) and an improved headline loss of R49.5 million (2021: R455.2 million). Fully diluted headline loss per share improved by 90% from a loss of 90.9 cents in 2021, to 8.6 cents in 2022.

The group generated positive cash flows from operating activities of R265.8 million compared to a cash utilised of R97.3 million in the prior year.

In July 2022, following receipt of the East African operations disposal and loan settlement net proceeds of R468.6 million, the group repaid R300 million of its existing debt facilities. As at the end of July 2022, the group had R300 million in available, undrawn debt facilities, plus R115 million of overdraft facilities, which together with the improved operational performance stands us in a promising position for future all-round wellness.

Occupancies and room rates following year end, continue to edge toward achieving 2019 pre-Covid levels. The South African hotels recorded occupancies of 53% in July 2022, 52% in August 2022, and 56% up to 18 September 2022.

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, 31 October 2022.

Yours sincerely

Bulelani Ngcuka
Chairman

COMMENTARY

While the Covid-19 pandemic still lingers, the burden on the hospitality, travel and tourism sector lightened significantly during the year under review. The year has been a tale of two halves. We started this financial year in Lockdown Level 4 and in the midst of devastating riots and insurrection in South Africa (SA) which was a stark reminder of how the last few years of state capture and the fresh struggles of the pandemic have affected livelihoods and the economy.

SA's resilience was demonstrated as we quickly progressed to Level 3 at the end of July 2021, Level 2 by mid-September and Level 1 by end-September 2021. 1 October 2021 heralded a changing tide with the move to Adjusted Level 1, which meant more people felt increasingly confident to engage in business and leisure activities, feeling the freedom to meet, gather, travel and fly (albeit still wearing masks, sanitising and social distancing). This led to the group making its first positive EBITDAR for that month, since the beginning of the pandemic. Following the setback in SADCs (Southern African Development Community) recovery caused by the Omicron variant, which resulted in the temporary closure of international borders, by 31 December 2021, changes to the Covid-19 regulations saw SA Cabinet lift the nightly curfew, thereby allowing gatherings of up to 1 000 people indoors and 2 000 outside, and permitting establishments with liquor licences to sell alcoholic beverages as per their full-licence conditions. The National State of Disaster was lifted on 5 April 2022 and on 24 June 2022, the regulations enforcing the public wearing of masks and all restrictions on gatherings were lifted, marking the first visual sign of a return to living since the start of the pandemic on 26 March 2020 and our employees, once again, were able to welcome our guests with visible warm smiles.

The inclement weather in South Africa in April 2022 slowed demand, especially over the Easter weekend, but occupancies for the month of April still finished off aligned to projections of 49% in SA, and gratefully our hotels in KZN sustained minimal damage from the flooding.

The steady increase in the rate of vaccination has no doubt played its part in the lifting of regulations. By 14 August 2022, more than 37.3 million vaccinations had been administered to over 20.3 million people in South Africa (51.1% of the adult population). Even as Covid-19 restrictions and safety mandates are lifted, we continue to maintain safety and hygiene protocols at our properties, front and back of house, ensuring guests and staff enjoy a safe and welcoming environment. We have achieved 90% vaccination as a group, and continue to encourage all staff to be vaccinated.

The last two years of strategic innovation has enabled us to capitalise on the changing travel trends and needs of the post Covid traveller. CLHG launched the new 'Eat-In' offer at all Town Lodges and Road Lodges during the year which now offers a bespoke lunch and dinner menu, in addition to our much-loved, value-for-money, breakfast. The enhanced food and beverage offering at all hotels across all CLHG brands, has made us more appealing to travellers who prefer hotels with complete accommodation and meal offerings, for the safety and convenience provided under one roof. The complementary new Best Available Rates ("BAR") methodology, which provides dynamic pricing, has made us more competitive across all markets, and especially appealing to leisure travellers, who have benefited from weekend specials, resulting in improved occupancies over the weekends. Shifts in leisure

COMMENTARY CONTINUED

travel behaviour to include staycations, has also seen similar shifts in occupancies at our inland hotels. The new blend of business and leisure (bleisure) traveller, makes our hotels the perfect option, as we offer complimentary high-speed WiFi and good value -for-money accommodation for individuals and families. This evolution has resulted in a change in our customer-base, with the leisure market now comprising a much larger proportion of our total guests.

After several years of operating in East Africa, we completed the sale of our three hotels in Nairobi, Kenya (Fairview Hotel, Town Lodge Upper Hill and City Lodge Hotel at Two Rivers Mall) and City Lodge Hotel Dar es Salaam, Tanzania to their new owners on 30 June 2022. From 1 July 2022, these four hotels no longer form part of the group. We now have 7 534 (2021: 8 070) rooms across 59 (2021: 63) hotels in four southern African countries.

FINANCIAL REVIEW

Occupancy levels have tracked the easing of Lockdown Levels and seen a steady recovery to almost pre-Covid occupancies in the last quarter of the financial year as travel returns and the hospitality sector enjoys renewed activity from all sectors.

The steady improvement in occupancies and demand for hospitality services over the last few months has led to average group occupancies, based on total rooms inventory, of 38% for the year ended 30 June 2022 (2021: 19%) and 40% (2021: 26%) based on the open hotels. Occupancies for the SA hotels averaged 40% (2021: 21%) and 42% (2021: 28%) for open hotels, respectively. The group started the financial year with 89% of its 63 hotels open and by February 2022 opened all of its hotels except one in Nairobi.

Total revenue for the year increased by 117% to R1 104 million (2021: R508 million). This included the 150% increase in food and beverage revenue spurred by the exciting developments in our enhanced offering. The East African operations made up 6% of total group revenue. The improved occupancy, and the opening of all hotels, enabled the group to ease some of the cost-containment measures put in place during the pandemic, with full salaries reinstated with effect from May 2022 resulting in a 32% increase compared to prior year. The normalisation of trading and the associated increase in variable expenses as more hotels opened and occupancy increased, led to a 26% increase in 'Total operating costs', which includes salaries and wages, property costs and other operating costs. However, total operating costs excluding unrealised foreign exchange gains and losses on intercompany loans, increased by 47%. Total operating costs per room sold excluding unrealised foreign exchanges gains and losses reduced by 27%.

The group generated EBITDAR for the year of R303.2 million (2021: loss of R136.7 million), and an EBITDAR margin of 27% (2021: EBITDAR loss margin 27%). EBITDAR margin for the group, excluding unrealised foreign exchange gains and losses, was 20% (2021: margin loss of 20%). The EBITDAR contribution for the East African operations, excluding unrealised foreign exchange gains and losses, was R9.9 million for the year.

The group recognised exceptional transactions during the year which included an accounting profit on disposal of its East African operations of R88.3 million, representing a recovery of accumulated losses in prior years, and net impairment reversals of R57.2 million, comprising a R63.5 million impairment loss on property, plant and equipment and a R120.7 million impairment reversal on right-of-use assets.

The improved performance following the easing of lockdown restrictions resulted in a profit after tax for the year of R81.7 million (2021: net loss of R804.6 million) and earnings per share of 14.3 cents (2021: loss per share 160.6).

The headline loss improved to R49.5 million (2021: R455.2 million) and excludes the profit on disposal of the East African operations but includes an impairment of the deferred tax asset held in Namibia (R20.0 million). Undiluted headline loss per share improved by 90% from a loss of 90.9 cents in 2021, to 8.7 cents in 2022. Excluding the effect of unrealised foreign exchange gains and losses together with the deferred tax impairment on headline earnings, headline loss per share improved from 17.9c in 1H2022 to 1.1c in 2H2022.

The group generated positive cash flows from operating activities of R265.8 million compared to a utilisation of cash from operations of R97.3 million in the prior year.

The group settled R720 million outstanding interest-bearing borrowings and subsequently entered into new R600 million interest-bearing debt facilities which mature between three and five years, and which are at more favourable financial terms and covenants. All of the original debt covenants continue to be waived for measurement periods up to and including September 2022. The loan to value covenant has been met for all measurement periods during the reporting period.

DIRECTORATE

The group welcomed Mathukana Mokoka as an independent non-executive member of the board and audit committee following her appointment on 1 June 2022.

OUTLOOK

There are still many challenges ahead, from the state of our economy, to load shedding, petrol price increases, global inflation trends supply constraints, and geo-political tensions.

However, we feel confident that the financial and operational decisions taken over the past 27 months, and the response by all members and stakeholders of the CLHG family in the face of such adversity, has helped us grow and establish ourselves as a sustainable, agile and innovative hospitality group.

Occupancies and room rates continue to edge toward achieving 2019 pre-Covid levels. The South African hotels recorded occupancies of 53% in July 2022, 52% in August 2022, and 56% up to 18 September 2022.

The sale of the East African operations has curtailed the losses and boosted cash resources required to sustain operations, and has provided sufficient liquidity to reinstate the capital refurbishment programme. The capital investment programme over the next 12 months includes the completion of the fit-out of the remaining four floors at Courtyard Hotel Waterfall City, and refurbishments at City Lodge Hotel V&A Waterfront and Road Lodge Richards Bay.

In July 2022, following receipt of the East African operations disposal and loan settlement net proceeds of R468.6 million, the group repaid R300 million of its existing debt facilities. As at the end of July 2022, the group had R300 million in available, undrawn debt facilities, plus R115 million of overdraft facilities, which together with the improved operational performance stands us in a promising position for future all-round wellness.

The CLHG family remains committed to providing outstanding accommodation services, a warm welcome to our guests and to tantalise their tastebuds with our enhanced food and beverage offerings.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R000	Note	Reviewed 30 June 2022	(Audited) 30 June 2021
ASSETS			
Non-current assets			
		2 662 149	2 739 988
Property, plant and equipment	4	1 576 876	1 671 924
Right-of-use assets		1 040 867	998 262
Intangible assets and goodwill		33 659	39 900
Investments		800	800
Deferred taxation	5	9 947	29 102
Current assets			
		620 071	613 494
Inventories		5 043	3 296
Trade receivables		47 164	17 586
Other receivables ¹		560 964	95 639
Taxation ²		159	37 531
Cash and cash equivalents		6 741	5 477
		620 071	159 529
Assets held for sale		–	453 965
Total assets		3 282 220	3 353 482
EQUITY			
Capital and reserves			
		975 281	936 357
Stated capital		1 324 717	1 324 717
Treasury shares		(507 669)	(510 928)
Retained earnings		91 687	9 957
Other reserves		66 546	112 611
LIABILITIES			
Non-current liabilities			
		1 759 765	2 043 884
Interest-bearing borrowings	6	400 000	650 000
Lease liabilities	7	1 338 594	1 365 591
Provisions		8 696	–
Deferred taxation	5	12 475	28 293
Current liabilities			
		547 174	373 241
Trade and other payables		245 122	175 372
Interest-bearing borrowings	6	200 000	–
Lease liabilities	7	35 964	24 516
Bank overdraft		66 088	89 651
		547 174	289 539
Liabilities directly associated with assets held for sale		–	83 702
Total liabilities		2 306 939	2 417 125
Total equity and liabilities		3 282 220	3 353 482

⁽¹⁾ Other receivables includes gross consideration receivable for the disposal of shares and shareholder loan claims for the East African operations of R477.1 million.

⁽²⁾ Taxation receivable has decreased due to the receipt of tax refunds of R37.1 million.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R000	Note	Reviewed Year ended 30 June 2022	% change	(Audited)* Year ended 30 June 2021
Revenue	8	1 103 913	117	507 816
Other income		5 880		2 173
BEE transaction charges		–		(1 223)
Expected credit loss on trade and other receivables		3 920		(2 215)
Salaries and wages*		(372 662)	32	(282 338)
Property costs*		(143 547)	26	(113 906)
Other operating costs*		(299 672)	20	(248 803)
Depreciation and amortisation		(90 545)		(119 959)
Depreciation – right-of-use assets		(90 153)		(85 894)
Impairment loss on property, plant and equipment	4	(63 562)		(390 443)
Impairment reversal on right-of-use assets	4	120 739		48 945
Impairment of goodwill		–		(10 602)
Impairment of other assets		–		(25 879)
Impairment of disposal group		–		(9 600)
Operating profit/(loss)		174 311	(124)	(731 928)
Profit on disposal of East African operations	10	88 275		–
Interest income		824		7 746
Interest expense		(179 482)		(177 415)
Profit/(loss) before taxation		83 928	(109)	(901 597)
Taxation		(2 198)		96 988
Profit/(loss) for the year		81 730	(110)	(804 609)
Other comprehensive income				
Items that are or may be reclassified to profit and loss				
Foreign currency translation differences (non-taxable)		(43 866)		(19 905)
Realisation of foreign currency translation reserve on disposal of East African operations	10	(8 578)		–
Total comprehensive income for the year		29 286	(104)	(824 514)
Basic earnings/(loss) per share (cents)	11	14.3	(109)	(160.6)
Basic diluted earnings/(loss) per share (cents)	11	14.3	(109)	(160.6)

* The comparatives have been re-presented. Refer to note 1.2.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R000	Note	Reviewed Year ended 30 June 2022	(Restated) ¹ Year ended 30 June 2021
Cash generated by/(utilised) in operations	12	265 802	(97 261)
Interest received		824	7 746
Interest paid		(54 749)	(45 350)
Interest paid – leases	7	(127 014)	(119 031)
Taxation refunded		37 121	4 052
Distribution to employees by 10th Anniversary Employee Share Trust		–	(703)
Cash inflow/(outflow) from operating activities		121 984	(250 547)
Cash utilised in investing activities		(37 407)	(77 288)
– investment to maintain property, plant and equipment		(10 050)	(2 709)
– investment to expand property, plant and equipment		(6 024)	(74 579)
– cash transferred on disposal of East Africa Operations		(21 333)	–
Cash (outflows)/inflows from financing activities		(75 486)	265 310
– capital repayments of lease liability	7	(25 486)	(15 190)
– proceeds from interest-bearing borrowings	6	70 000	180 000
– repayment of interest-bearing borrowings	6	(120 000)	(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)
– repurchase of ordinary shares		–	(574)
– gross proceeds from rights offer ¹		–	1 200 896
– transaction cost on rights offer ¹		–	(55 303)
Net increase/(decrease) in cash and cash equivalents		9 091	(62 525)
Cash and cash equivalents at the beginning of the year		(69 497)	(19 025)
Reclassification of other investments to cash and cash equivalents		–	15 800
Effect of movements in exchange rates on cash held		1 059	(3 747)
Cash and cash equivalents at the end of the year		(59 347)	(69 497)

¹ The condensed consolidated statement of cash flows has been restated to separately disclose the gross proceeds from the rights offer and the associated transaction costs. In addition, the proceeds from sale of rights of R66.4 million, and the purchase of treasury share in rights offer of (R66.4 million) lines have been excluded from the prior year comparatives as these have been included in gross proceeds from rights offer. There has been no change in the overall total cash (outflows)/inflows from financing activities.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000	Stated capital	Treasury shares	Other reserves	Retained earnings	Total
Balance at 30 June 2020	179 503	(514 381)	190 511	712 683	568 316
Total comprehensive income for the period	–	–	(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
Proceeds from sale of rights	–	66 396	–	–	66 396
Purchase of treasury shares in rights offer	–	(66 396)	–	–	(66 396)
Repurchase of ordinary shares	(379)	–	–	(195)	(574)
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 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
Total comprehensive income for the period	–	–	(52 444)	81 730	29 286
Profit for the year	–	–	–	81 730	81 730
<i>Other comprehensive income</i>					
Foreign currency translation differences	–	–	(52 444)	–	(52 444)
Transactions with owners, recorded directly in equity	–	3 259	6 379	–	9 638
Incentive scheme shares	–	3 259	(3 259)	–	–
Share compensation reserve	–	–	9 638	–	9 638
Balance at 30 June 2022	1 324 717	(507 669)	66 546	91 687	975 281

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. Basis of preparation

1.1 Basis of preparation

The reviewed 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 2021.

The condensed consolidated financial statements have been presented on the historical cost basis, and are presented in South African Rand, 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 by the directors who take full responsibility for the preparation of the provisional report.

1.2 Re-presentation of the statement of comprehensive income

Management has removed certain subtotals and disaggregated lines from the prior period reported statement of comprehensive income. The following sub-totals and disaggregated line items were removed:

- subtotal before depreciation and amortisation;
- subtotal results from operating activities;
- the disaggregation of the net impairment loss on property, plant and equipment between the disposal groups held for sale and other assets; and
- the disaggregation of the impairment reversal on right-of-use assets between the disposal groups held for sale and other assets.

All these line items were clearly explained in the notes to the consolidated financial statements in the prior year.

Further to the changes above, a decision was made to disclose salaries and wages, and property costs as a separate line. Salaries and wages of R226.6 million were previously included in operating costs excluding depreciation and amortisation and in administration and marketing costs of R55.7 million. Property costs of R113.9 million were previously included in operating costs excluding depreciation and amortisation. The result of this change is that the remaining administration and marketing costs of R15.6 million presented as a separate line in the past is aggregated within other operating costs, resulting in other operating costs reducing from R570.4 million to R248.8 million.

The reasons for the re-presentation are due to:

- management being of the view that this declutters the face of the statement of comprehensive income and is more understandable for the users of the financial statements;
 - this is to present the statement of comprehensive income to be more aligned to a "by Nature" presentation as per IFRS; and
 - to address the themes contained in the JSE Proactive Monitoring report.
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2. Review report of the independent auditor

These condensed consolidated financial statements for the year ended 30 June 2022 have been reviewed by the company's auditors, PricewaterhouseCoopers Inc., who have expressed an unmodified conclusion thereon. The external auditors have performed their review in accordance with International Standard on Review Engagements (ISRE) 2410.

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.

Impairments

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 4, 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.

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. Refer to note 5.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. Property, plant and equipment

4.1 Property, plant and equipment movement for the year

	Land	Buildings	Furniture and equipment	Total
Opening balance – 30 June 2020	338 709	1 977 491	193 552	2 509 752
Additions	–	47 061	26 259	73 320
Acquisition through business combination	–	5 188	–	5 188
Depreciation	–	(57 511)	(55 877)	(113 388)
Impairment (loss)/reversal	–	(400 497)	10 054	(390 443)
Loss on foreign exchange movement	(4 035)	(40 907)	(7 991)	(52 933)
Reclassification to assets held for sale	(210 925)	(107 461)	(41 186)	(359 572)
Closing balance – 30 June 2021	123 749	1 423 364	124 811	1 671 924
Additions	–	22	9 958	9 980
Acquisition through business combination	–	8 077	–	8 077
Depreciation	–	(45 017)	(39 288)	(84 305)
Impairment loss	–	(67 972)	4 410	(63 562)
Gain on foreign exchange movement	5 723	29 041	(2)	34 762
Closing balance – 30 June 2022	129 472	1 347 515	99 889	1 576 876

4.2 Impairment (losses) and reversals of property, plant and equipment and right-of-use assets

Impairments for the year ended 30 June 2022

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 ongoing impact of Covid-19, and the increased risk and inflation caused by the global geo-political tensions during the financial year.

During the year ended 30 June 2022, the group impaired property, plant and equipment by R63.5 million (2021: R390.4 million) and reversed impairments on right-of-use assets by R120.7 million (2021: impairment reversals R48.9 million). 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.

Forecast cash flows assumptions for established and newer hotels

Management forecast a gradual recovery to 2019 occupancy levels, including an improvement in room rates in FY2023.

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 FY2023 per CGU. The revenue growth rates for FY2023 vary per CGU, coming off a low base.

4. Property, plant and equipment continued

4.2 Impairment (losses) and reversals of property, plant and equipment and right-of-use assets continued

Impairments for the year ended 30 June 2022 continued

For established hotels, continued improvement in cash flows are expected between FY2024 to FY2027. Estimated revenue growth ranges from 15% for FY2024, and 10% for the years thereafter up until FY2027 in South Africa. Estimated revenue growth ranges from 15% for FY2024 and levelling off to 10% for the years thereafter up until FY2027 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), and the positive outlook in macro-economic factors, which include projected medium-term improvements in the South African economy following recovery from Covid-19 recession, and improved political stability. 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% for South African hotels and ranges between 4.5% and 6.1% for the Rest of Africa hotels and is based on country-specific target inflations.

Reasons for impairment losses on PPE and Impairment reversals on ROU Assets

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 are due to the following:

- Slower recovery from the rest of Africa due to extended lockdown measures in Maputo, as well as the fact that the group is still developing its presence in the country and growth has been slower than expected due to the impact of Covid-19. A higher discount rate for the Rest of Africa caused by geo-political tensions globally also contributed to further impairments.
- 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, as well as a lower demand for rooms in the area of the Courtyard CGU.

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

- Impairments were recorded during the 2020 financial year, which was in the midst of the Covid-19 pandemic. Over the last two years, we have seen these CGUs perform better than forecasts that were made at the outset of Covid-19. This has contributed to reversals over the last two financial years for the specific assets that were impaired.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. Property, plant and equipment continued

4.2 Impairment (losses) and reversals of property, plant and equipment and right-of-use assets continued

Impairments for the year ended 30 June 2022 continued

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

Property, plant and equipment R000	2022						
	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)					

* 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.

Right-of-use assets R000	2022						
	Recoverable amount	(Impairment)/ Impairment reversals	Occupancy FY22 (%)	Occupancy FY23 %	Revenue growth post FY23 (%)	Post-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					

[#] Courtyard Hotel revenue growth range is higher than established hotels as 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.

4. Property, plant and equipment continued
4.2 Impairment (losses) and reversals of property, plant and equipment and right-of-use assets
continued

Impairments for the year ended 30 June 2021

For the purposes of impairment testing, each hotel was assessed as individual CGUs. During the year ended 30 June 2021, the group had a net impairment on property, plant and equipment of R390.4 million, mainly on impairment to fair value less cost to sell of East African assets held for sale and reversed impairments on right-of-use assets by R48.9 million.

The recoverable amount was determined by calculating either the value in use using a DCF model 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 had forecast a gradual recovery from the third wave and the local insurrection in the first quarter of the new financial year, with steady growth in occupancies in the second quarter and beyond, as the success of the vaccination programmes enable the economy to open further. Cash flows for the remainder of 2022 were projected to 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 cashflow forecasts for established hotels for 2024 and 2025 financial years is 6%, and 5% for the 2026 financial year. The terminal growth rate applied was 4.5% for South African hotels and ranges between 3% and 6.5% for the Rest of Africa hotels.

Impairment loss on assets held-for-sale was based on the agreed sales consideration with the buyer. For all other assets, the recoverable amount were based on the greater of the value determined by (i) VIU; (ii) fair value less costs to sell, which was based on either comparable sales, where information was available; or (iii) alternate use development and comparable sales, in the immediate vicinity of the hotel.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. Property, plant and equipment continued

4.2 Impairment (losses) and reversals of property, plant and equipment and right-of-use assets

continued

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

R000	2022		
	Property, plant and equipment	Right-of-use asset	Total
South Africa	(39 273)	84 581	45 308
Rest of Africa	(24 289)	36 158	11 869
	(63 562)	120 739	57 177

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)	22 595	(277 372)
Other	(63 159)	3 916	(59 243)
	(390 443)	48 945	(341 498)

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

	2022		2021	
	Increase	Decrease	Increase	Decrease
5% change in the net cash flows	102 359	(243 199)	12 460	(13 239)
25bps change in the terminal growth rate	3 403	(4 266)	–	(71)
50bps change in the discount rate	(16 408)	15 260	(809)	–

5. Deferred taxation

R000	2022	2021
Movement in deferred taxation assets		
Balance at the beginning of the year	29 102	56 428
Charged to profit or loss ¹	(19 077)	3 407
Change in corporate tax rate ²	(108)	–
Foreign exchange movement	30	(10 640)
Reclassification to assets held for sale	–	(20 093)
Balance at the end of the year	9 947	29 102
Movement in deferred taxation liabilities		
Balance at the beginning of the year	28 293	134 038
Charged to profit or loss	(17 537)	(94 027)
Change in corporate tax rate ²	33	–
Acquisition through business combinations	1 686	1 089
Reclassification to liabilities directly associated with assets held for sale	–	(12 807)
Balance at the end of the year	12 475	28 293

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

¹ The deferred tax asset in the Namibian subsidiary has been impaired by R20.0 million, due to the slower than anticipated recovery following the Covid-19 set-back and it is estimated that there would not be sufficient taxable income in the medium term against which the deductible temporary differences can be used.

² On 23 February 2022, the Minister of Finance of South Africa announced a 1% decrease in the corporate tax for all companies with a tax year ending on or after 31 March 2023. The new tax rate of 27% was substantively effected by 30 June 2022 and has therefore been applied to all deferred tax balances that are expected to reverse after 1 July 2022.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

6. Interest-bearing borrowings

R000	2022	2021
The Loan C was a revolver facility of R400 million in total and bore interest at the one, three or six-month JIBAR plus 2.75%, depending on the election made upon drawdown. The total outstanding loan capital of R400 million was extinguished on 30 June 2022.	–	350 000
The Loan D was a term loan facility of Rnil (2020: R200 million) in total and bore interest at the one, three or six-month JIBAR plus 2.65%, depending on the election made upon drawdown. The loan was extinguished on 30 June 2022.	–	200 000
The Loan F was a term loan facility – bridge to asset sale of R100 million in total and bore interest at the one-month JIBAR plus 3.25%. The loan was extinguished on 30 June 2022.	–	100 000
The Loan G was a revolver loan facility of R100 million in total and bore interest at the one-month JIBAR plus 3.25%. The drawn loan of R20 million was extinguished on 30 June 2022.	–	–
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 term loan 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.	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 2.2% and 2.7% based on covenants. Outstanding loan capital is repayable on 30 June 2027.	150 000	–
	600 000	650 000
Less: Amounts to be repaid within one year (based on loan agreement to repay R200 million from the proceeds of the sale of East African operations) Loan facilities remain available following repayment.	(200 000)	
Non-current liabilities	400 000	650 000
The movement in interest-bearing borrowings during the year is as follows:		
Balance at the beginning of the year	650 000	750 000
Borrowings raised	670 000	180 000
Cash	70 000	180 000
Non-cash ¹	600 000	–
Borrowings repaid	(720 000)	(280 000)
Cash	(120 000)	(280 000)
Non-cash ¹	(600 000)	–
Interest charged	48 444	37 125
Interest paid	(50 724)	(36 120)
	597 720	651 005
Balance at the beginning of the year – interest	2 403	1 398
Interest accrued included in sundry accruals	(123)	(2 403)
Balance at the end of the year	600 000	650 000

The original covenants were waived for all measurement periods from June 2021 through to September 2022. The remaining loan to value covenant was met for all measurement periods during the year.

⁽¹⁾ At the time of the debt refinancing, 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. Thus the former debt was derecognised and new facilities recognised. Refer to note 19.

7. Lease liabilities

R000	2022	2021
Balance at the beginning of the year	1 390 107	1 388 440
Additions	–	234 267
Interest expenses accrued	127 014	119 031
Capital lease payments	(25 486)	(15 190)
Interest payments	(127 014)	(119 031)
Remeasurements	12 004	(138 140)
Effects of movement in exchange rates	8 978	(18 169)
Reclassification to liabilities directly associated with assets held for sale ¹	(11 045)	(61 101)
Balance at the end of the year	1 374 558	1 390 107
Lease liabilities recognised in the statement of financial position are analysed as:		
Non-current portion	1 338 594	1 365 591
Current portion	35 964	24 516
	1 374 558	1 390 107

¹ Liabilities directly associated with assets held for sale have been disposed of in the sale of the East African operations.

8. Revenue

The group derives revenue at a point in time, together with its customer reward programmes, which are 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 117% compared to the prior year mainly due to the increase in trading activity and occupancies following the gradual easing of Covid-19 restrictions globally, increase in travel patterns across all source markets and re-opening of all hotels by February 2022. Food and beverage revenues also benefited from the introduction of the new *Eat-In* menu at all Road Lodges and Town Lodges which now offer a bespoke lunch and dinner menu.

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

R000	Year ended 30 June 2022	Year ended 30 June 2021
Accommodation	911 571	432 719
Food and beverage	166 631	66 544
Other revenue ¹	25 711	8 553
	1 103 913	507 816
Primary geographical markets		
South Africa	1 006 095	469 791
Rest of Africa	97 818	38 025
	1 103 913	507 816

⁽¹⁾ Other revenue comprises conferencing, boardroom rentals, rent received and miscellaneous revenue.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

9. Reconciliation of operating profit/(loss) to EBITDAR¹

R000	2022	2021
EBITDAR is made up as follows:		
Operating profit/(loss) ²	174 311	(731 928)
Depreciation and amortisation	90 545	119 959
Depreciation – right-of-use assets	90 153	85 894
Property rentals	5 374	1 784
	360 383	(524 291)
Add/less: Exceptional ³ losses/(gains)		
Impairment loss on property, plant and equipment	63 562	390 443
Impairment reversal on right-of-use-assets	(120 739)	(48 945)
Impairment of goodwill	–	10 602
Impairment of other assets	–	25 879
Impairment of disposal group	–	9 600
EBITDAR	303 206	(136 712)

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 The reconciliation commences from operating profit/(loss) following changes to the face of the Statement of comprehensive income, as disclosed in note 1.2.

³ 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.

10. Disposal of subsidiaries

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. The associated assets and liabilities were presented as held for sale in the 2021 consolidated annual financial statements.

The disposal of the subsidiaries completed on the 30 June 2022, following the fulfilment of the conditions precedent. The gross proceeds from the sale were received in July 2022, and have been recorded within Other receivables in the statement of financial position as at 30 June 2022.

R000	Total
Net disposal consideration	468 636
Less Net asset value comprising of:	(388 939)
Carrying amount of assets	475 635
Property, plant and equipment and intangible assets	359 919
Right-of-use assets	53 770
Deferred tax assets	21 383
Current assets	19 230
Cash and cash equivalents	21 333
Total liabilities	(86 696)
Lease liabilities	(72 146)
Trade and other payables	(1 743)
Deferred tax liabilities	(12 807)
Profit on disposal before realisation of foreign currency translation reserve	79 697
Realisation of foreign currency translation reserve	8 578
Profit on disposal of East African operations	88 275

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Supplementary financial information

R000	Year ended 30 June 2022	% change	Year ended 30 June 2021
11.1	Headline loss reconciliation		
Profit/(loss) for the year used to calculate basic and diluted loss per share	81 730		(804 609)
Profit on disposal of East African operations	(88 275)		–
Change in corporation tax rate	2 022		–
Impairment loss on property, plant and equipment	63 562		390 443
Impairment reversal on right-of-use assets	(120 739)		(48 945)
Impairment of goodwill	–		10 602
Taxation effect	12 233		(2 665)
Headline loss¹	(49 467)	(89)	(455 174)
¹ Headline loss includes a non-recurring loss on the impairment of deferred tax asset held in Namibia (R20.0 million).			
Basic earnings/(loss) per share (cents) (EPS)			
– undiluted	14.3	(109)	(160.6)
– diluted	14.3	(109)	(160.6)
Headline loss per share (cents) (HEPS)			
– undiluted	(8.7)	(90)	(90.9)
– fully diluted	(8.6)	(90)	(90.9)
11.2	Weighted average number of shares – undiluted (000's)		
Total weighted average number of shares in issue – undiluted	609 860		536 546
Treasury shares	(35 394)		(32 922)
10th Anniversary Employees Share Trust treated as treasury shares	(2 821)		(2 623)
Weighted average number of shares in issue for undiluted EPS and HEPS calculation	571 645		501 001
11.3	Weighted average number of shares – diluted (000's)		
Total weighted average number of shares in issue – diluted	611 070		536 546
Treasury shares	(35 394)		(32 922)
10th Anniversary Employees Share Trust treated as treasury shares	(2 821)		(2 623)
Weighted average number of shares in issue for diluted EPS and HEPS calculation	572 855		501 001
11.4	Number of shares in issue reconciliation (000's)		
Total number of shares in issue	609 860		609 860
Treasury shares	(35 394)		(35 394)
10th Anniversary Employees Share trust investment held as treasury shares	(2 821)		(2 821)
Net of treasury shares in issue	571 645		571 645
11.5	Net asset value per share (cents)		
	171		164

12. Note to the statement of cash flows

Cash generated by/(utilised in) operations

R000	2022	2021
Profit /(loss) before taxation	83 928	(901 597)
Adjusted for:		
– depreciation and amortisation	90 545	119 959
– depreciation – right-of-use asset	90 153	85 894
– impairment loss on other assets	–	25 879
– impairment loss on disposal group	–	9 600
– impairment loss on property, plant and equipment	63 562	390 443
– impairment reversal on right-of-use assets	(120 739)	(48 945)
– impairment loss on goodwill	–	10 602
– interest income	(824)	(7 746)
– interest expense	52 468	58 384
– interest expense – leases	127 014	119 031
– profit on disposal of East African operations	(88 275)	–
– remeasurement of lease	–	(16 517)
– share-based payment expense/(income)	9 638	(1 761)
– unrealised foreign currency (gain)/loss	(78 874)	38 045
– other non-cash items	8 399	–
Operating cash flows before working capital changes	236 995	(118 729)
(Increase)/decrease in inventories	(958)	623
(Increase)/decrease in trade and other receivables	(35 519)	4 616
Increase in trade and other payables	65 284	16 229
	265 802	(97 261)

13. Related party transactions

The group had no significant related party transactions during the year, nor did the group enter into any new significant related party transactions during this year.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

14. 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.

The structure of the segmental analysis note has changed from the prior year to more appropriately present the information the CODM assesses. As a result, the following line items have been removed:

- Results from operating activities
- Depreciation and amortisation
- Depreciation – right-of-use assets
- Adjusted EBITDA
- Land and Hotel building rental

Further to this, the Rest of Africa is now split out as a separate segment as management focus in the region has increased. It was previously included as part of the Central Office. The comparatives have been updated to align with the current basis of segmentation.

Consistent with the prior year, the CODM assesses the performance of the operating segments based on revenue and EBITDAR (as defined in note 9). EBITDAR was previously referred to as 'Adjusted EBITDAR', however the performance measure has remained the same, but the naming convention has changed. Interest income and interest expenses are not included in the results for each operating segment, as the cash and debt position is managed at a group level.

14. Segment analysis continued

R000	Revenue ¹		EBITDAR ²		EBITDAR margin (%)	
	2022	2021	2022	2021	2022	2021
City Lodge Hotel	550 908	257 224	211 074	27 360	38	11
Town Lodge	153 858	65 832	34 006	(22 461)	22	(34)
Road Lodge	231 260	126 122	71 233	20 586	31	16
Courtyard Hotel	70 069	20 613	7 026	(19 540)	10	(95)
South Africa	1 006 095	469 791	323 339	5 945	32	1
Rest of Africa	97 818	38 025	81 708	(68 017)	84	(179)
Central office			(101 841)	(74 640)	–	–
Total	1 103 913	507 816	303 206	(136 712)	27	(27)

¹ All revenue and income from hotel operations is 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 9.

Geographical information

R000	South Africa		Rest of Africa ³		Total	
	2022	2021	2022	2021	2022	2021
Revenue	1 006 095	469 791	97 818	38 025	1 103 913	507 816
Property, plant and equipment (non-current and current)	1 263 449	1 359 339	313 427	672 504	1 576 876	2 031 843
Right-of-use assets (non-current and current)	946 695	932 979	94 172	119 053	1 040 867	1 052 032

³ 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.

NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

15. 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 2022 or later periods, which the group has not early adopted, would have a material impact on the group.

16. Capital commitments

As at 30 June 2022, the directors had authorised a total of R165.9 million for maintenance and expansion capital items, all of which is expected to be spent in the financial year 2023. None of the authorised total was committed as at 30 June 2022.

17. Contingent liabilities

The group has no significant contingent liabilities as at 30 June 2022.

18. Subsequent events

The company announced by SENS on the 12 July 2022, the receipt of net proceeds of R468.6 million from the sale of East Africa operations which were subsequently applied to repay R300 million of the new re-financed interest-bearing borrowings and settle the overdraft facilities.

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

19. Liquidity and funding

The group has secured a new loan re-finance package with its lenders, which provides total debt facilities of R600 million, and overdraft facilities of R115 million. The previous facilities have been extinguished in accordance with IFRS 9 *Financial Instruments*. The new re-finance package offers:

- More favourable pricing terms.
- Debt facilities mature between June 2025 and June 2027.
- Relaxation of some covenant measures, which include but are not limited to, a return to bi-annual measurement periods, improved Loan-to-value covenant levels and the removal of the liquidity buffer.
- The original covenant waivers for all measurement periods up to 30 September 2022 are retained.
- Access to R300 million accordion facilities which has been included in the loan agreements, but is subject to credit approval on application.

Following receipt of the proceeds from the sale of the East African assets subsequent to year end, the funds have been applied to repay the revolving credit facilities. Thereafter, the group has access to R300 million in undrawn loan facilities and R115 million in overdraft facilities.

The group continues to prudently monitor cash resources, as we ensure its long-term financial wellness.

20. Going concern

The condensed consolidated financial statements for the year ended 30 June 2022 are prepared on a going concern basis. Based on cash flow forecasts, which considered the pressures from global economic forces, high inflation, available funding facilities and the receipt of the proceeds from the sale of the East African operations, management believes that the group has sufficient liquidity to meet its obligations as they become due and continue operations.

The group has made a profit for the year ended 30 June 2022 of R81.7 million (2021: loss of R804.6 million). The profit is reflective of the steady recovery in trading operations following the relaxation in Covid-19 pandemic restrictions by governments globally and the return of travel confidence. As at 30 June 2022, the group has a net cash and cash equivalents overdraft of R59.3 million (2021: R69.5 million). Current assets exceed its current liabilities by R72.9 million (2021: current liabilities exceed current assets by R130 million).

The overdraft mainly relates to the extinguishing of previous outstanding loans, prior to the completion of the new loan refinancing on 30 June 2022. The drawn-down overdraft facility and R300 million of the interest-bearing borrowings were repaid after balance sheet date, following the receipt of the proceeds from the disposal of the East African operations.

The original covenants have been waived up to September 2022. Thereafter, based on budget projections, the group will comfortably meet the new covenants for the future measurement periods over the next 12 months, as stipulated in the new re-financed loan agreement.

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.

21. Dividend

The board continues to cautiously monitor cash resources and the group's recovery from the pandemic, and has therefore determined that no final dividend shall be paid in the respect of the year ended 30 June 2022. 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/2022/jse/isse/CLH/ye2022.pdf>.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

21 September 2022

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-sixth annual general meeting of shareholders of City Lodge Hotels Limited (AGM) will be held electronically on Monday, 28 November 2022 at 14:30 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:

- record date to receive notice of the AGM: Friday, 21 October 2022
- last date to trade to be eligible to participate in and vote at the AGM: Tuesday, 15 November 2022
- record date to participate in and vote at the AGM: Friday, 18 November 2022

Last date for lodging forms of proxy with transfer secretaries, Thursday, 24 November 2022 (refer note 4 on page 36.)

AGM to be held at 14:30 on Monday, 28 November 2022.

Results of the AGM will be announced on SENS on Tuesday, 29 November 2022.

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

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

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

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

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

Note

To adopt:

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

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.lumiconnect.com. by no later than 14:30 on Thursday, 24 November 2022; 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 14:30 on Thursday, 24 November 2022. 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 14:30 on Friday, 25 November 2022 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,

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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. Presentation of the consolidated audited annual financial statements for the year ended 30 June 2022 incorporating the directors', external auditors' and audit committee reports.

The provisional condensed consolidated results accompany this notice of AGM. The complete consolidated audited annual financial statements for the year ended 30 June 2022 are set out on pages 142 to 200 of the IR.

2. Presentation of the Social and Ethics Committee report as set out on pages 127 to 128 of the IR.

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

To elect, by way of a series of votes, the following directors who retire in accordance with the provisions of the Companies Act, and the company's MoI, and who, being eligible and available, offer themselves for re-election, as may be applicable:

- Ordinary resolution number 1.1 "RESOLVED THAT Mr F W J Kilbourn be and is hereby re-elected as a director of the company."
- Ordinary resolution number 1.2 "RESOLVED THAT Ms N Medupe be and is hereby re-elected as a director of the company."
- Ordinary resolution number 1.3 "RESOLVED THAT Mr B T Ngcuka be and is hereby re-elected as a director of the company."

Refer to pages 24 and 25 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 95 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, the directors retiring by rotation, all of whom who has served on the board for longer than nine years were determined to be independent in character and judgement, and continue to make valuable contributions to board deliberations in an objective and unbiased manner.

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

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

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

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

To elect the following director:

- Ordinary resolution number 2.1 "RESOLVED THAT Ms M G Mokoka, who was first appointed to the board on 1 June 2022, be and is hereby elected as an independent non-executive director of the company."

Ms Mokoka, who was appointed to the board since the last AGM, is required to retire at the AGM following her appointment and, being eligible, offers herself for election by shareholders.

Education & experience

- B Comm & Honours degrees in Accounting
- Post graduate diplomas in management (Financial Accounting) & Auditing
- Registered CA (SA)
- Strategic & financial management
- Corporate finance

Listed boards served on:

- Alviva Holdings Ltd
- Stadio Holdings Ltd
- Sanlam Ltd
- CSG Holdings Ltd

The Remcom has assessed Ms Mokoka's eligibility, which the board has accepted and accordingly the board recommends her election to shareholders.

5. Ordinary resolution number 3: Re-appointment of external auditor

Upon the recommendation of the audit committee to re-appoint PricewaterhouseCooper 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 PricewaterhouseCooper Inc. be and is hereby re-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."

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 Ms N Medupe be and is hereby elected as a member of the audit committee”

Ordinary resolution number 4.4 “RESOLVED THAT Ms M G Mokoka be and is hereby elected as a member of the audit committee”

Ordinary resolution number 4.5 “RESOLVED THAT Mr A R Lapping be and is hereby elected as a member of the audit committee”

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

7. Ordinary resolution number 5: Authority to implement resolutions

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

8. Advisory vote: Remuneration policy and implementation report

8.1 To endorse, by way of a non-binding advisory vote, the company’s remuneration policy as set out on pages 112 to 121 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 122 to 126 of the IR.

In terms of principle 14 of King IV™ read with paragraph 3.84 (k) of the JSE listings Requirements, the company’s remuneration policy and the implementation thereof should 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. 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*	Hourly rate*
	1 July 2022 to 30 June 2023	1 July 2022 to 30 June 2023
9.1 Chairman of the board	1 185 300	
9.2 Deputy chairman	383 600	
9.3 Director	293 000	
9.4 Chairman of the audit committee	208 700	
9.5 Other audit committee members	95 800	
9.6 Chairman of the remuneration and nominations committee	178 600	
9.7 Other remuneration and nominations committee members	80 500	
9.8 Chairman of the risk committee	140 900	
9.9 Other risk committee members	64 300	
9.10 Chairman of the social and ethics committee	94 100	
9.11 Other social and ethics committee members	43 200	
9.12 Ad hoc committee		2 350 capped at a total of 60 000

* 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.

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 represents an average increase of 6.6%.

Refer to page 178 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 108 to 126 of the IR for further detail on the company's remuneration practices.

This resolution, if approved, will from 1 July 2022 supersede the resolution passed at the annual general meeting on 25 November 2021.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

10. **Special resolution number 2: 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 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.

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.

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.

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.

11. Special resolution number 3: General authority to repurchase ordinary shares

“RESOLVED THAT the company is hereby authorised by way of a general authority to repurchase ordinary shares in the share capital of the company subject to the provisions of the Act and the JSE Listings Requirements, provided:

- the general authority shall be valid only until the next annual general meeting or for 15 months from the date of this special resolution, whichever period is shorter;
- the repurchase 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 being authorised thereto by its Mol;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the five (5) business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- repurchases not exceeding 5% (five percent) in aggregate of the company’s issued ordinary share capital in any one financial year;
- the company and/or its subsidiaries may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the repurchase programme have been submitted to the JSE in writing prior to the commencement of the prohibited period;
- at any point in time, the company only appointing one agent to effect any repurchases on its behalf; and
- a resolution is passed by the board authorising the repurchase, 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.”

The reason for and effect of special resolution number 3

The reason for proposing special resolution number 3 is to grant the company a general authority to permit the company or a subsidiary company to repurchase and/or acquire ordinary shares in the company.

Accordingly, the approval of shareholders is sought to ensure that the company or a subsidiary can repurchase and/or acquire ordinary shares which are in issue from time-to-time.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

The directors record that although there is no immediate intention to implement a repurchase of the shares of the company, the directors will utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors are of the opinion, after considering the effect of a repurchase of the maximum number of shares that may be repurchased, that for a period of 12 months after the date of notice of the AGM:

- the company and the group will be able in the ordinary course of business, to pay its debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, measured in accordance with the accounting policies used in the latest audited annual group financial statements; and
- the company and group's share capital, reserves and working capital will be adequate for ordinary business purposes.

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 IR as follows:

Major shareholders Refer to page 201

Stated capital Refer to page 170

Directors' responsibility statement

The directors, whose names appear on pages 24 to 25 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.

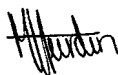
Material change

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

31 October 2022

FORM OF PROXY

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN NAME DEMATERIALIZED SHAREHOLDERS ONLY

For use at the thirty-sixth annual general meeting (AGM) of members to be conducted entirely by electronic means at 14:30 on Monday, 28 November 2022.

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

I/we, the undersigned

of

Telephone (home):

(work):

(cellular):

being the registered holder(s) of

ordinary shares

hereby appoint

or failing him/her,

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

		Number of shares		
		In favour of	Against	Abstain
1.	Ordinary resolution number 1: Re-election of directors retiring by rotation			
1.1	Mr F W J Kilbourn			
1.2	Ms N Medupe			
1.3	Mr B T Ngcuka			
2.	Ordinary resolution number 2: Election and appointment of Director			
2.1	Ms M G Mokoka			
3.	Ordinary resolution number 3: Re-appointment of external auditor			
4.	Ordinary resolution number 4: Appointment of group audit committee members			
4.1	Mr S G Morris			
4.2	Mr G G Huysamer			
4.3	Mr A R Lapping			
4.4	Ms N Medupe			
4.5	Ms M G Mokoka			
5.	Ordinary resolution number 5: Authority to implement resolutions			
6.	Advisory vote: Remuneration policy and implementation report			
6.1	Remuneration policy			
6.2	Remuneration implementation report			
7.	Special resolution number 1: Approval of non-executive directors' remuneration			
7.1	Chairman of the board			
7.2	Deputy chairman			
7.3	Director			
7.4	Chairman of the audit committee			
7.5	Other audit committee members			
7.6	Chairman of the remuneration and nominations committee			
7.7	Other remuneration and nominations committee members			
7.8	Chairman of the risk committee			
7.9	Other risk committee members			
7.10	Chairman of the social and ethics committee			
7.11	Other social and ethics committee members			
7.12	Ad hoc committee			
8.	Special resolution number 2: Financial assistance			
9.	Special resolution number 3: General authority to repurchase 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 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 14:30 on Thursday, 24 November 2022, 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.

PARTICIPATION 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 Annual General Meeting 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:

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 14:30 on Thursday, 24 November 2022. 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 The Company shall, by no later than 14:30 on Friday, 25 November 2022, 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 Annual General Meeting via electronic communication

- The cost of electronic participation in the Annual General Meeting, 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.
- The Participant acknowledges, by signing this application form, that the electronic platform through which the Annual General Meeting 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 he/she will have no claim against the Company, 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 Annual General Meeting, including but not limited to network connectivity or network failure due to, inter alia, insufficient airtime, internet connectivity, power outages, which would prevent the participant from participating in and/or voting at the Annual General Meeting.
- The application to participate in the Annual General Meeting electronically will only be deemed successful if this application form has been completed fully and signed by the Participant.

Participant's name

Signature

Date

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*, 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

