# EMBRACING WELLNESS

COURTYARD HOTEL

CITY LODGE HOTEL

TOWN LODGE BY CITY LODGE HOTELS

ROAD LODGE BY CITY LODGE HOTELS

CITY LODGE HOTEL GROUP

# EMBRACING WELLNESS

Revenue
**R1.10bn**
2021: R0.51bn

Earnings per share
**14c**
2021: (161c)

Average group occupancies
**38%**
2021: 19%

Headline loss per share
**(9c)**
2021: (91c)

EBITDAR
**R303.2mn**
2021: (R136.7mn)

Dividends declared per share
**Nil**
2021: Nil

# 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.

# INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## To the Shareholders of City Lodge Hotels Limited

We have reviewed the condensed consolidated financial statements of City Lodge Hotels Limited, set out on pages 5 to 26 of the provisional report, which comprise the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

## Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of City Lodge Hotels Limited for the year ended 30 June 2022 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: AM Motaung
Registered Auditor
Johannesburg, South Africa
21 September 2022

*The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the review of the condensed consolidated financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the condensed consolidated financial statements since they were initially presented on the website.*

# 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) |
| *Other comprehensive income* | | | | | |
| Foreign currency translation differences | – | – | (19 905) | – | (19 905) |
| **Transactions with owners, recorded directly in equity** | 1 145 214 | 3 453 | (57 995) | 101 883 | 1 192 555 |
| Issue of new ordinary shares | 1 145 593 | – | – | – | 1 145 593 |
| 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** |
| *Other comprehensive income* | | | | | |
| 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.

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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.

# 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.

# 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

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.

# 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.*

# 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 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.

## 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 | 2022 Right-of-use asset | 2022 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 | 2021 Right-of-use asset | 2021 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) | – |

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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.*

## 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.*

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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.*

## 9. Reconciliation of operating profit/(loss) to EBITDAR[1]

| | | |
|---|---|---|
| **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.*

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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** |

## 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 calculated 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 loss[1]** | **(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 |

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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.

## 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.

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 14. Segment analysis continued

| | Revenue[1] | | EBITDAR[2] | | EBITDAR margin (%) | |
|---|---|---|---|---|---|---|
| R000 | 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

| | South Africa | | Rest of Africa[3] | | Total | |
|---|---|---|---|---|---|---|
| R000 | 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.*

## 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 accordian 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.

# NOTES TO REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

## 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

# ADMINISTRATION

## City Lodge Hotels Limited

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

## Directors

B T Ngcuka (Chairman), A Widegger (Chief executive officer)*,
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