

# Unpacking the IFRS implications of COVID-19 for travel and leisure companies listed on the JSE

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## **REMARKS**

The reader is reminded of the following:

This mini-dissertation is presented in article format, according to the Faculty of Economic and Management Sciences policies at the North-West University.

This mini-dissertation consists of one research article. This article and mini-dissertation comply with the writing requirements of the Harvard style and the Journal of Financial Reporting and Accounting format requirements.

## **ABSTRACT**

**Purpose** – The primary purpose of this article is to study the International Financial Reporting Standards (IFRS) implications of COVID-19 for selected travel and leisure companies listed on the Johannesburg Stock Exchange (JSE). This analysis is deemed vital to the users of financial statements who need to make informed decisions and require all the necessary information about how COVID-19 has affected them.

**Design/methodology/approach** – Content analysis was used to analyse the financial statements of ten travel and leisure companies listed on the JSE. This analysis indicated what additional disclosures these companies have in the light of COVID-19.

**Findings** – Even though there is no specific IFRS standard providing guides on the impact of COVID-19, the findings reveal that the companies took utmost care in preparing the year-end financial statements. Companies cautiously considered the impact of the coronavirus on their financial reports and going concern, providing the users of these financial statements with transparent financial information.

**Originality/value** – A new economic crisis, different from any other economic crisis, emerged as a result of COVID-19. Therefore, the IFRS implications of COVID-19 is still unclear. This study shows what these implications are and how companies disclosed the essential information needed for transparency.

**Paper type** Research paper

## **KEYWORDS**

Additional disclosures, COVID-19, financial statements, going concern, impact, International Financial Reporting Standards (IFRS), Johannesburg Stock Exchange (JES), travel and leisure

## **LIST OF ABBREVIATIONS**

ACCA	Association of Chartered Certified Accountants
CDC	Centers for Disease Control and Prevention
FCAG	Financial Crisis Advisory Group
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JSE	Johannesburg Stock Exchange
SARS-CoV	Severe Acute Respiratory Syndrome virus
SEC	Securities and Exchange Commission
WHO	World Health Organization

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## CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

### 1. INTRODUCTION

On 31 December 2019, in Wuhan, China, the World Health Organization (WHO) China Country Office was informed of an unknown aetiology, now known as COVID-19 (WHO, 2020:1). Following this initial outbreak in China, the coronavirus was later categorised as a global pandemic by the World Health Organization (2020:1). The coronavirus pandemic has since contributed to major disruptions worldwide, affecting millions of people and businesses worldwide (Alao & Gbolagade, 2020:108). To slow down the spread of the virus, the WHO advised governments and every individual to take this new, still unknown virus seriously and advised that strict preventive measures should be put in place (WHO, 2020:8).

Different countries around the world have however implemented different preventive measures. Some countries, including China, Italy and Spain, have implemented strict lockdown measures, where the country is in full or partial lockdown (Lopatta *et al.*, 2020:2). On the other hand, countries such as Germany, the UK and the USA have adopted a different approach, with citizens still being able to go outside as long as they abide by distancing rules (Lopatta *et al.*, 2020:2).

As stated by Vaughan (2020:13), the South African government has also implemented strict coronavirus measures. These measures included the ban of cigarette and alcohol sales across South Africa, and a national lockdown to lower the infection rate. After the initial national lockdown (alert Level 5) that started on 26 March 2020 at midnight (Department of Co-operative Governance and Traditional Affairs, 2020:5), the South African government announced the phased reopening of the South African economy, with alert Level 4 starting on 1 May 2020 (Department of Co-operative Governance and Traditional Affairs, 2020:16) and alert Level 3 starting on 1 June 2020 (Department of Co-operative Governance and Traditional Affairs, 2020:3). Furthermore, the South African government has stated that all South Africans should exercise social distancing and remain in self-quarantine, should a person or any family member be infected. Schools, businesses and more were also closed due to this pandemic (Biccard, 2020:62).

According to Lopatta *et al.* (2020:2) despite all the strict measures that were put in place, the International Monetary Fund (IMF) predicts that this COVID-19 pandemic will have the biggest negative effect on the global economy since the Great Depression. Taylor (2020:1) agrees with Lopatta, but he adds that many companies foresee a downgrading economic growth for the year 2020. Furthermore, Taylor maintains that as of March 2020, the global coronavirus pandemic has led to evidence of reduced customer expenditure in travelling, tourism and more. Countries in full lockdown will also have a virtual economy standstill (Taylor, 2020:1). Evidence of this can be seen in South Africa as many companies listed on the Johannesburg Stock Exchange (JSE) have shown a negative growth in their trade and income over the last six months. This includes companies such as SASOL with a negative growth of 87.55%, Telkom with a negative growth of 73.66%, Curro (-65.01%) and many more (Haasbroek, 2020:1).

As stated by Baskan (2020:29), in some circumstances companies may encounter a state of emergency while preparing their financial statements. This can be the case for companies with regards to COVID-19, particularly companies that are affected by their national economies and the coronavirus measures that were implemented in these countries. Carmeli and Schaubroeck (2008:178) state that companies facing these challenges should prepare a strategic plan and response to deal with the circumstances of the crises. Thus, it is of utmost importance for companies to address the current COVID-19 related risks by preparing a strategic plan and response to deal with all the coronavirus-related risks and setbacks. They should implement short-term plans, which may include adapting to a new work environment, building up accounting reserves and protecting employees (Lopatta *et al.*, 2020:3).

According to El-Mousawi and Kanso (2020:23-24), the effects that COVID-19 has on the worldwide economy will also affect accounting, financial statements and management reports of companies. Furthermore, El-Mousawi and Kanso (2020:23-24) state that it is therefore important for companies to consider the impact of COVID-19 when preparing financial statements and management reports, as well as in all accounting processes. On 25 March 2020, the Securities and Exchange Commission's (SEC) Division of Corporation Finance published a report stating that they view the coronavirus as a material risk for companies. The Division also maintained that the coronavirus has been a significant financial crisis for many companies and would have a significant influence on operating results, financial conditions and going concern (Sidley, 2020:1). Companies affected by

COVID-19 will have to reflect on liquidity and analyse the company to verify any material uncertainties that may affect the company's ability to be a going concern (El-Mousawi & Kanso, 2020:24).

The International Accounting Standards Board (IASB) (IASB, 2020:1) announced that entities are required to prepare estimates and forecasts of economic conditions wherein they give due consideration to the effects of COVID-19 and the government support measures given. The IASB (IASB, 2020:3) further states that information disclosed should be sufficient to ensure that the users of financial statements fully grasp the impact of COVID-19. Due to COVID-19, in addition to the normal disclosure, companies would have to consider disclosing more information, for example, in terms of IAS10 Events after the Reporting Period, IFRS13 Fair Value Measurement, IAS36 Impairment of Assets and IFRS16 Leases (Arnold & Gould, 2020:1). This disclosure will provide some needed transparency to users of financial statements (IASB, 2020:2) and allow the users to accurately evaluate the company's financial situation (IASB, 2020:3).

Since 1976 the IASB has substantially influenced the way South Africa has dealt with financial reporting (Coetzee & Schmulian, 2013:243). According to Ames (2013:155), in the year 2005, the JSE revised its listing requirements, stating that all listed companies have to be in complete compliance with International Financial Reporting Standards (IFRS). This means that JSE companies should consider the COVID-19 recommendations given by the International Accounting Standards Board (IASB) and Financial Sector Conduct Authority (FSCA).

## **2. PROBLEM STATEMENT**

On 29 May 2020, as a result of the national lockdown in South Africa, the Financial Sector Conduct Authority (FSCA) granted Johannesburg Stock Exchange (JSE) listed companies a two-month extension on the fulfilment of the reporting obligations stated within the JSE requirements (FSCA, 2020). This extension will apply to all JSE listed companies with a year-end in the period of 31 December 2019 up until 30 April 2020 (JSE, 2020:1). On 7 July 2020, the FSCA issued a third Market Notice which also grants companies with a year-end in May, June or July 2020 with the same extension period (JSE, 2020:1). The JSE advised listed companies to use this extension period to consider the IFRS

implications of COVID-19, as well as to reflect on the measurement implications, going concern and any additional disclosures that may be required (JSE, 2020:1).

COVID-19 is a new economic crisis, different from any other economic crisis experienced in the past. The International Financial Reporting Standards (IFRS) implications of COVID-19 on these JSE listed companies and the additional disclosure required for transparency of the financial statements is still unclear. It is of utmost importance to unpack the IFRS implication of COVID-19 and the additional disclosure required. Moreover, it is vital, as the users of financial statements rely on the transparency and faithful representation of financial statements when they make financial and accompanying decisions.

## **2.1 RESEARCH QUESTIONS**

Following on the problem statement, the subsequent research questions can be formulated: (i) What are the IFRS implications of COVID-19 on a selection of travel and leisure companies listed on the JSE, and (ii) what additional information is disclosed by these companies?

## **3. OBJECTIVES**

### **3.1. Primary objective**

The main empirical objective of this study is to unpack the IFRS implications of COVID-19 for a selection of companies listed on the JSE.

### **3.2. Secondary objective**

The following secondary theoretical objective will be considered in this study: Identifying the general additional disclosure required for faithful representation of financial statements for economies in crises.

## **4. RESEARCH DESIGN/METHOD**

### **4.1 Literature review**

Crisis events have a significant impact on the travel and tourism industry as this industry is subject to many internal and external factors, for example; unprofitability, declines in revenue, fluctuation in currency and recessions (Kapiki, 2012:2). The travel and tourism industry has a substantial effect on the global gross domestic product (GDP) as it contributes to 50 million jobs across the world and is worth ten percent of the global GDP (Alao & Gbolagade, 2020:108). Since the year 2000, the world tourism industry has been affected by different disease outbreaks, and many have warned that pandemics pose a substantial threat to tourism (Gössling *et al.*, 2020:3).

Over the past 20 years, the world has seen a series of outbreaks of diseases with flu-like symptoms, of which one is the Severe Acute Respiratory Syndrome virus (SARS-CoV). The first report of the SARS virus was during February 2003 in Asia, with the virus later spreading to more than 24 countries worldwide (CDC, 2017:1). More diseases, including the H1N1 influenza virus of 2009 (swine flu) (CDC, 2010:1) and the Ebola virus (CDC, 2019:1) were detected and reported after this.

The SARS-CoV virus had a significant impact on the short term economic growth in 2003 (Fan, 2003:7). Much of the impact was due to the great uncertainty and fear that the SARS-CoV virus had on consumers. Many consumers decided to stay home and in doing so reduced the risk of infection, but this led to reduced consumer spending. Service exports, including tourism exports, and investments were affected as an overall decrease in demand occurred. Governments affected by the SARS-CoV virus experienced an increase in expenditure (Fan, 2003:1-2). As for the travel and tourism industry, Secinaro *et al.* (2020:49) state that the SARS-CoV virus directly impacted this industry. For countries like Hong Kong, this epidemic had a significant effect on their national travel and tourism (Siu & Wong, 2004:70). Companies in this industry showed definite losses in turnover, with hotel companies showing a severe drop in profits and share prices. This caused a value decrease in the Statement of Financial Position for the 2003 financial year and the first three months of the following year (Secinaro *et al.*, 2020:49).

According to Verikios *et al.* (2011:3-4), the influenza virus directly affected the economy, as it caused an increase in healthcare expenditure. Labour expenditure was also affected as many workers couldn't go to work due to infections. Additionally, the impact on the economy included a reduction in tourism, transport, retail and education, as many businesses and schools were affected (Verikios *et al.*, 2011:3-4). In the research done by

Rassy and Smith (2013:824), the effects of the influenza virus on tourism in Mexico was studied. The research found that the 2009 swine flu pandemic contributed to the loss of almost one million tourists in just five months, causing a loss of approximately \$2.8billion (Rassy & Smith, 2013:824).

The first report of the Ebola virus was in Guinea in West Africa. In March 2014, the Ebola virus spread from Guinea to Liberia, Nigeria, Sierra Leone, and Senegal. Many lives were lost due to this deadly virus, and by September 2014, the mortality rate was in the range of 42-66% (Adegun, 2014:48). The Ebola virus outbreak had a negative effect on the tourism and hospitality industry of these countries (Maphanga & Henama, 2019:5). Tourism companies in Africa experienced up to 50% cancellations due to tourists being terrified of the Ebola virus. Tanzania and South Africa were also affected by the outbreak, experiencing a decline in the normal amount of tourism business (Maphanga & Henama, 2019:6). In the study done by Bambery *et al.* (2018:1), it is stated that the overall monetary economic impact of the Ebola virus in Africa was nearly \$2.8 billion.

The world is currently facing the effects of the novel coronavirus (COVID-19) as countries worldwide are seeking to take counteractive and preventative measures against this virus (Ali & Tokhy, 2020:2). Since the coronavirus outbreak in December 2019, the world has seen the significant impact of this virus on the current global economy. The coronavirus has substantially impacted the global financial markets and on vulnerable industries such as travel, tourism, manufacturing and hospitality (Alao & Gbolagade, 2020:108). The global travel and tourism industry has slowed down due to travel restrictions and lockdowns across the world caused by COVID-19. As the infection rate increased worldwide, many airlines implemented new seating policies to adhere to distancing regulations. Examples of this could be seen in New Zealand, with airlines flying at less than 50% of their normal capacity (Gössling *et al.*, 2020:7). In every country across the globe visitor numbers declined significantly, with some countries showing a decline of more than 50% (Gössling *et al.*, 2020:7). Gössling *et al.* (2020:8) further states that by 5 March 2020, 41% of businesses have experienced cancellations in hotel bookings, car rentals, camp sites, and in activities. By 26 March 2020, 65% of the Tourism industry had experienced difficulties paying bills, and many companies showed signs of liquidity problems.

In the year 2009, in a crisis event, similar to the above, The Financial Crisis Advisory Group (FCAG) wrote a report giving the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board advice on the implications of the financial crisis and the changes in the global regulatory environment (FCAG, 2009:1). FCAG (2009:1) stated that financial reporting plays a critical role in the financial system, even in a financial crisis. According to Lopatta *et al.* (2020:10), previous research indicates that qualitative financial reporting is important for increased transparency and that more detail on the possible risks in light of these crises is required. According to Alao and Gbolagade (2020:112-113), the current COVID-19 pandemic may affect International Financial Reporting Standards (IFRS) and companies would have to give attention to the effect COVID-19 may have on going concern, the Property, Plant and Equipment Standard, the Inventory Standard, the Financial Instruments Standard and many other IFRS standards.

## **4.2 Empirical research**

The word empirical can be defined as the knowledge someone has based on real observations or experiments. Empirical research can then be defined as research used when describing field based research, in which data will be collected (Jasti & Kodali, 2014:4). According to Jasti and Kodali (2014:2) empirical research also requires a thorough literature overview to identify the current gaps in research.

According to the IRESS web page (IRESS, 2020:1), ten travel and leisure companies are listed on the Johannesburg Stock Exchange (JSE). This study will focus on the IFRS implications of COVID-19 for all the JSE travel and leisure listed companies. The focused criteria for the first six companies are companies that qualify for the extension granted by the Financial Sector Conduct Authority (FSCA), as they are the only six travel and leisure companies listed qualifying for this extension, with a year-end in the period of 31 December 2019 until 31 July 2020. The remaining four travel and leisure companies were selected as they have interim financial statements in the same period.

Furthermore, in this study, content analysis will be used to investigate the IFRS implications of COVID-19 and reflect on the additional disclosure required in light of the coronavirus.

According to Boolaky (2006:119), content analysis is a method used by researchers to categorize different information of a document into several categories. It is used when analysing a large amount of different qualitative data. In the article written by Mayer (2015:11) it is stated that the definition of content analysis is a technique used by researchers when making effective and replicable interpretations for their study. In this article it is also stated that one of the benefits of a content analysis is data curtailment, as a content analysis is used to group information into different categories (Mayer, 2015:11).

In this study, using a period of one year, a content analysis will be performed by utilizing the 2020 annual financial statements as well as the interim financial statements of the travel and leisure companies selected, taking into consideration the most recent financial information available for these companies. The first step will be to analyse current literature, guidance given by accounting standard setters and recommendations given by experts. The second step will be to examine the 2020 annual financial statements of the first six companies and the interim financial statements for the remaining four companies. By doing this, a conclusion can be made about the IFRS implications COVID-19 had on these listed travel and leisure companies and their additional disclosures.

### **4.3 Paradigmatic assumptions and perspectives**

#### **4.3.1 The ontological assumption**

According to Bahari (2010:23), ontology can be defined as the nature of social entities and can be seen as the assumptions we make about the nature of reality. Ontology is about the nature of the world we live in, what the world consists of, and how entities operate and interrelate. Richardson (2012:84), states that an ontological view of reality can be formed from an idealistic or realistic view. A realistic view in ontology refers to the fact that a reality can exist outside our awareness and that some laws of nature are permanently part of our reality (Hiller, 2016:99). Alternatively, an idealistic view in ontology refers to the fact that reality is open to different interpretations, as there are no fixed laws about what reality is, or how different realities are experienced (Hiller, 2016:99).

This study will be based on an idealistic view of ontology. The researcher will analyse the different financial statements of the selected companies in the travel and leisure industry.

Different interpretations of this financial information can exist as not just one reality of interpretation exists.

#### 4.3.2 The epistemological assumption

Bahari (2010:21) defines epistemology as a branch of philosophies in which the nature of knowledge is studied. According to Bahari (2010:21), an epistemological assumption can furthermore be seen as a question of what should be considered as acceptable knowledge and the methods in which this knowledge can be obtained. The following questions can be asked when dealing with the epistemological assumption: What is the relationship between; what is known and the individual with the knowledge? How do individuals know what they know? What can be seen as knowledge? (Antwi & Hamza, 2015:219).

According to Antwi and Hamza (2015:219), two types of epistemology exist: positivism and interpretivism. Positivism is the idea that a phenomenon is the outcome of causes and effect (Ogbenjuwa, 2016:75). Ogbenjuwa (2016:75) also state that researchers using positivism do their studies through experimental trials. On the other hand, interpretivism is where the world is seen as created, interpreted and experienced by people (Antwi & Hamza, 2015:219). Researchers using interpretivism can be seen as naturalists, as they are not manipulative, obtrusive or controlling (Antwi & Hamza, 2015:219).

In this study, information will be collected by analysing current literature, financial statements, and guidance given by accounting standard setters and experts. In doing so, knowledge of the additional disclosure required and the impact of COVID-19 on IFRS for travel and leisure companies listed on the JSE will be obtained. This study will make use of interpretivism, as the different financial statements for these companies will be analysed and interpreted by the researcher. The researcher will not be manipulative, obtrusive or controlling, the information will simply be analysed and interpreted.

#### 4.3.3 Methodological assumptions

According to Hiller (2016:100), the methodology is referred to as the framework guiding the research design. Hiller (2016:100) further states that the methodology supports the researcher's decisions when choosing the correct methods for data collection and

analysis. Antwi and Hamza (2015:220) maintain that the methodology can also be seen as the research strategy that shows how the research will be conducted.

Two broad reasoning methods exist, which are known as the inductive and deductive approaches (Soiferman, 2010:3). The inductive approach can be interpreted as moving from specifics to the general topic, meaning that researchers work from the bottom-up, building wider themes and theories about the research. The arguments in inductive research are based on different experiences and observations (Soiferman, 2010:3). The deductive approach can be defined as research that begins with a general topic and concludes with the specifics of the research. Inductive research is based on experiences, whereas deductive research is based on law, rules and principles (Soiferman, 2010:3). Soiferman (2010:3) also distinguished between two types of analysing methods, namely quantitative and qualitative research.

Quantitative research is structured by the concerns of the researcher who will not have any contact with the research subject; thus ensuring that the researcher remains objective (Mayer, 2015:6). According to Antwi and Hamza (2015:220), in quantitative research, the focus is to obtain numerical data enabling the researcher to present the research quantitatively. Quantitative research is furthermore done by the confirmation and replication of findings, control over the research objects and the presentation of statistical analysis (Antwi & Hamza, 2015:220). Lastly, Ogbenjuwa (2016:80) states that after data has been collected in quantitative research; the data will be used to validate the relationship between variables within the data.

In qualitative research, on the other hand, the subject of a study will be structured by the research itself (Mayer, 2015:6). Qualitative research will use words and feelings more than numbers. Also the researcher may have direct contact with the research subject (Mayer, 2015:6). In other words, the researcher can be seen as an instrument in the data collection process, asking questions, making interpretations and recording what is observed (Antwi & Hamza, 2015:221). While the quantitative research approach is focused on statistical analysis (Antwi & Hamza, 2015:220), qualitative research includes alternative approaches, such as action research, discourse analysis, ethnography, first-person research and more (Hiller, 2016:104).

For the purpose of this study, an inductive approach and qualitative research method will be used. This method and approach was selected because the research is not focused on numerical data as observations, interpretation and content analyses will be used to conduct the research. Arguments in this study will be based on different experiences and observations of the researcher. The financial statements of the travel and leisure companies selected, IFRS, current literature and guidance given by accounting standard setters for COVID-19 will be analysed to interpret the presence, meaning and relationship of certain words, themes and concepts.

#### **4.4 Ethical consideration**

Ethical norms are usually broader and more informal than the legal rules of society. The focus of ethics rests on the standards of conduct, including sociology, law, theology, psychology and philosophy (Gajjar, 2013:1). According to Rani and Sharma (2012:45), ethics can be seen as the study of character, motives and good conduct. In some research, ethical dilemmas may arise while conducting the research, which can be the case for research that deals with rights, participants and study demands (Rani & Sharma, 2012:45). Gajjar (2013:1-2) states that ethical standards in research are very important. Firstly, ethical standards uphold the goals of the research, including truth and knowledge. Secondly, ethical norms promote accountability, respect, fairness, and trust when collaborating with other researchers. Lastly, ethical standards build public support for research (Gajjar, 2013:2).

In this study, the researcher will not be in contact with any of the participants. The information and financial statements used in the study and in the content analysis will not be of a confidential nature, as the companies' information and financial statements are readily available on the world wide web. In addition, this study will also be evaluated by the Economic and Management Sciences Research and Ethics Committee of the North-West University. This Committee will determine the level of risk for the study as a whole. It is anticipated that the level of risk for this study will be seen as low risk.

## **5. OVERVIEW**

### **Chapter 1: Research proposal**

This chapter covers the research proposal. It includes the introduction and background to the study, the problem statement and the research question. Furthermore, it includes a literature review in the research area to identify the gap in research. Lastly, it outlines the research methodology, in order to identify the best method to address the research question.

### **Chapter 2: Research article**

This chapter will consist of a research article, wherein the data for the study will be analysed. It will investigate the IFRS implications of COVID-19 on a sample of JSE listed companies that qualify for the extension period and what additional disclosures these companies have considered.

### **Chapter 3: The conclusion**

In this chapter the findings of this study will be discussed and a conclusion based on the research and findings will be formulated. The implications of this study will be outlined and the research question will be answered. Finally, the limitations of the study and recommendations for future research, will be provided.

## CHAPTER 2: RESEARCH ARTICLE

### ABSTRACT

**Purpose** – The primary purpose of this article is to study the International Financial Reporting Standards (IFRS) implications of COVID-19 for selected travel and leisure companies listed on the Johannesburg Stock Exchange (JSE). This analysis is deemed vital to the users of financial statements who need to make informed decisions and require all the necessary information about how COVID-19 has affected them.

**Design/methodology/approach** – Content analysis was used to analyse the financial statements of ten travel and leisure companies listed on the JSE. This analysis indicated what additional disclosures these companies have in the light of COVID-19.

**Findings** – Even though there is no specific IFRS standard providing guides on the impact of COVID-19, the findings reveal that the companies took utmost care in preparing the year-end financial statements. Companies cautiously considered the impact of the coronavirus on their financial reports and going concern, providing the users of these financial statements with transparent financial information.

**Originality/value** – A new economic crisis, different from any other economic crisis, emerged as a result of COVID-19. Therefore, the IFRS implications of COVID-19 is still unclear. This study shows what these implications are and how companies disclosed the essential information needed for transparency.

**Paper type** Research paper

### KEYWORDS

COVID-19, disclosure, going concern, impact, IFRS, travel and leisure

## 1. INTRODUCTION

At the end of 2019, the novel coronavirus, COVID-19, was detected in Wuhan, a city in China (WHO, 2020:1). As a result of the rapid rate at which the virus spread across the world, the World Health Organization (WHO) made the assessment on 11 March 2020 to categorise this virus as a global pandemic (WHO, 2020:1). To decelerate the spread of this highly infectious disease, the WHO advised governments to implement several stringent preventive measures (WHO, 2020:8). Governments across the world adhered to the WHO's advice and as a result, most countries introduced and implemented partial or full lockdown protocols (Lopatta *et al.*, 2020:2).

Globally, great uncertainty about this virus was observed (Altig *et al.*, 2020:1). Uncertainties about the rate of infection; the development of a vaccine; whether or not a second wave of COVID-19 will be experienced; the impact of the new virus on the global economy; how the virus and lockdowns will affect consumer spending; how individual and corporate travel will be affected; and the impact of the pandemic on businesses (Altig *et al.*, 2020:1).

As a result of COVID-19, the International Monetary Fund (IMF) declared that the world economy might be faced with its worst recession since the 2008 Global Financial Crisis and the Great Depression of 1929 (Kanu, 2020:31; Barnoussi *et al.*, 2020:178). Oxfam International also cautioned that due to the coronavirus pandemic, five hundred million people around the world might be plunged into poverty (Kanu, 2020:31). Evidence of this could be seen worldwide, for example in South Africa, large companies like Sasol Ltd., Anglo American Platinum Ltd. and Old Mutual Ltd. experienced negative growth in trade and income for the first six months of the 2020 financial year (Haasbroek, 2020:1). In Australia, it was also estimated that the Big four banks might be faced with bad debts of around 14 billion dollars (Barnoussi *et al.*, 2020:178).

COVID-19 has had a significant impact on global financial markets and the economy as a whole (Alao & Gbolagade, 2020:108). Globally, 50 million jobs are at risk as vulnerable industries such as hospitality, travel and tourism were affected (Alao & Gbolagade, 2020:108). Furthermore, Taylor (2020:1) commented that many countries in full lockdown experienced a standstill in their economic activities. Events like the COVID-19 pandemic typically affect the travel and tourism industry, as this industry is subject to many different

external and internal factors, including recessions, fluctuation in exchange rates, unprofitability and a decline in income (Kapiki, 2012:2). Many have even warned that a pandemic like COVID-19 poses a serious threat to tourism (Gössling *et al.*, 2020:3).

The modern travel and leisure industry has also been affected since the initial outbreak of the virus in December 2019 (Alao & Gbolagade, 2020:108). Globally, travel has come to a grinding halt, as several travel restrictions and lockdowns were implemented in every country worldwide (Gössling *et al.*, 2020:7). This has led to reduced customer spending on travel, tourism and leisure (Taylor, 2020:1). According to Gössling *et al.* (2020:8), 65% of the tourism industry started experiencing cash flow problems and could not fulfil their financial obligations.

As corporations approach their financial year-end, there is an urgent need to evaluate the effects of the COVID-19 pandemic on financial statements (Albitar *et al.*, 2020:2). This is attributable to the fact that financial statements are the primary source of information used by the stakeholders of these corporations and that COVID-19 has not only already affected the confidence of these stakeholders but also the financial performance of many companies worldwide (Albitar *et al.*, 2020:2). Carmeli and Schaubroeck (2008:178) posit that in response to the pandemic, companies should prepare a strategic and contingency plan to deal with the circumstances of the situation. Companies should have an action plan which may include accumulating accounting reserves, ensuring the liquidity of the company as far as possible and adapting to a new work environment (Lopatta *et al.*, 2020:3).

In this light, it is important to note that the full effect of the coronavirus on financial statements is still uncertain. The COVID-19 pandemic has seriously impacted many sectors of the economy, with the travel and leisure industry being no exception. This paper explores the IFRS implications of COVID-19 on travel and leisure companies listed on the Johannesburg Stock Exchange (JSE) and what these companies disclose as additional information.

## **2. LITERATURE REVIEW**

Mishra (1996:262) states that a crisis is an event that gives systems little time to respond, causing the crisis to be a threat to the system's existence, especially when the resources

of the systems are insufficient to cope with the circumstances of the crisis. Marcus and Goodman (1991:284) add that a crisis can have a turning point effect on a company, creating either a positive or negative outcome. Companies can face many different crises in the course of their lifespan (Baskan, 2020:29). This includes natural disasters, takeovers, strikes, conflicts with stakeholders, insolvency and many more (Baskan, 2020:29).

Strong leadership is essential during a crisis since the management of a corporation may be faced with improving the company's organizational responses by focusing on the future (McKinsey, 2020:1). The management of a company plays a major role in the company's success or failure during a crisis (Baskan, 2020:30). A crisis can be viewed by management in one of two ways; firstly, the state of affairs can be seen as an opportunity, using it to the advantage of the company, or secondly as a threat, which can lead to mistakes in judgment and unforeseen risks for the company (Baskan, 2020:30).

Several crises, similar to the current pandemic, were witnessed in the recent past. The world was faced with the Severe Acute Respiratory Syndrome virus (SARS-CoV) during 2003 (CDC, 2017:1). In 2009 the H1N1 influenza virus, known as swine flu (CDC, 2010:1) was prevalent, and Africa encountered the Ebola virus in 2014 (Adegun, 2014:48). Each influenced the economy in different ways; the SARS-CoV virus had a substantial effect on some countries' short-term economic growth (Fan, 2003:7) and a decrease in tourism exports also took place during this crisis (Fan, 2003:1). Furthermore, the influenza virus directly affected the economy and triggered an increase in healthcare expenditure (Verikios *et al.*, 2011:3-4). The Ebola virus had a negative effect on Africa's tourism and Hospitality industry, with companies experiencing up to 50% cancellations in bookings during that period (Maphanga & Henama, 2019:5-6).

Similar to the preceding crises, the COVID-19 pandemic also continues impacting economic activities throughout the world. Governments' measures to curb the rapid rate at which the virus spreads have triggered a ripple effect on the economy and, in turn, caused implications for financial reporting (PWC, 2020:1). These measures and economic turbulences have an effect on the confidence of company stakeholders, the financial performance of firms and may even lead to companies finding themselves in financial distress (Albitar *et al.*, 2020:2). Albitar *et al.* (2020:2) state that as the company's stakeholders rely on the financial reports to make informed financial decisions, it is

important to evaluate the impact of COVID-19 on these financial reports. To this end, accounting standard setters, accounting firms and members of the International Federation of Accountants (IFAC) released various guidelines and articles wherein expert advice is given to assist in the understanding how the coronavirus would impact financial reporting (Arnold & Gould, 2020:1).

Kothari and Lester (2012:29) suggest that losses should be recognised in a timely fashion to improve the transparency of financial statements. Carmeli and Schaubroeck (2008:181), emphasised that it is critical for organizations to learn from past crises. Therefore, they should estimate the feasibility of previous crises and compile appropriate risk responses for the future. According to Lopatta *et al.* (2020:3), standard-setters highlighted the importance of performing the financial reporting of a company in as much detail as possible during times of crises.

In March 2020, the Securities and Exchange Commission's (SEC) Division of Corporation Finance published a report stating that the coronavirus should be viewed as a material risk due to the fact that COVID-19 has already had an impact on the global economy and the estimated future effect is still unknown (Sidley, 2020:1). This report also states that COVID-19 had thus far led to a significant financial crisis and will in fact have a noteworthy impact on operating results, financial conditions and going concern (Sidley, 2020:1). According to Arnold and Gould (2020:1), the COVID-19 pandemic and its consequences on the world economy is the reason why stakeholders would need high-quality financial information.

Alao and Gbolagade (2020:110-111), posit that for economies that are in upheaval similar to the COVID-19 pandemic, companies should emphasize to their stakeholders the following:

- The Cash-to-Cash sequence of the company, as well as their liquidity.
- The companies would have to examine their variable costs; and
- It would be best for companies to implement a capital investment plan.

Arnold and Gould (2020:1) advocated that due to COVID-19, companies would have to disclose additional information about several IFRS standards. For example, the global accounting firm Ernst & Young (2020:5) indicated that, according to IAS 1 Presentation of Financial statements, companies would have to perform a going concern assessment, up

until the date on which the financial statements of the company are issued. If the company can no longer function as a going concern, they will have to adjust their financial statements to best reflect the company's financial position. (Deller, 2020:1). Deller (2020:1), from the Association of Chartered Certified Accountants (ACCA), stated that from 31 January 2020, COVID-19 can be seen as an adjusting event and that affected companies worldwide will have to consider the impact of COVID-19 on IAS 10, Events After the Reporting Period. Companies would have to consider if COVID-19 will be seen as an adjusting or non-adjusting event. Even if the company concludes on a material non-adjusting event, the company would be required to disclose additional information about this event (Ernst & Young, 2020:3). The International Accounting Standards Board (IASB) even made an amendment to IFRS 16 Leases in May 2020 (ACCA, 2020:1). This new amendment will help the lessee, in a lease agreement, to account for any reductions in rent due to COVID-19 (ACCA, 2020:1). Organizations should furthermore consider doing an impairment test for all their assets as COVID-19 is seen as a trigger event for IAS 36 Impairments. (Rajah *et al.*, 2020:2-4).

Ernst & Young (2020:1) also provided companies with a resilience checklist to consider when preparing their financial information during COVID-19. Firstly, companies should consider options to generate more cash, save as much money as possible and reassure stakeholders by communicating effectively. Secondly, they recommended that companies adjust their risk assessment plan, think about selling assets, and reduce expenses are key (Ernst & Young, 2020:1). Tokar and Kumar (2020:1) provided accountants, auditors and investors with a brief overview of how IFRS should be applied in light of COVID-19. The authors stated the importance of taking due care in making estimates during the coronavirus pandemic, because when a company is faced with the uncertainty of what the future might bring, estimates are more difficult to make than under normal circumstances. The International Accounting Standards Board (IASB) (IASB, 2020:1) also stated that due to the global pandemic, corporations are required to evaluate the economic conditions within their companies and should disclose all the necessary information about the effects of COVID-19 (IASB, 2020:3).

The Johannesburg Stock Exchange (JSE) released two important announcements to all its listed companies with a year-end in the period of 31 December 2019 to 31 July 2020. It stated that as a result of the coronavirus and the national lockdown across South Africa, the Financial Sector Conduct Authority (FSCA) gave JSE listed companies an extension

period to fulfil all their reporting responsibilities for the current financial year (JSE, 2020:1). Companies with a year-end in the given period were granted a two-month extension and companies with an interim reporting period between 31 March 2020 and 31 July 2020 were granted a one-month extension (JSE, 2020:1). The JSE also cautioned listed companies to consider the impact of COVID-19 on their going concern measurement and stated that companies should deliberate if any additional disclosure may be required (JSE, 2020:1). The head of risk management of Nigeria's Securities and Exchange Commission stated that the COVID-19 crisis can be a redirecting opportunity for the African economy and that resurfacing a better economy will be the crowning achievement for Africa (Umeano, 2020:1).

### **3. METHODOLOGY**

#### **3.1 Research approach**

Milne and Adler (1999:237) articulate that content analysis is the most frequently used research method when assessing the disclosure of organizations. Similarly, document analysis involves the scanning, reading, examining and interpretation of documents (Bowen, 2009:32). According to Bowen (2009:31), the advantages of document analysis include; efficiency and availability. Most documents used are of public domain; the method is cost-efficient; documents contain exact details (such as names and references), and they are consistent. The greatest advantage of document content analysis is the fact that it is non-reactive and unobtrusive, meaning that research can be conducted without disturbing the data by any means. The researcher furthermore determines the data on which the most emphasis is needed (Marshall & Rossman, 2006:108).

Therefore, it was decided that a qualitative research approach, employing content and document analysis, would be appropriate for this study. In this study, the disclosure in the financial statements of the travel and leisure companies are analysed, assessing the nature of each company's disclosure in as much detail as possible. This process involves scanning through an enormous amount of different data, reading the full financial documents, examining the financial information and interrupting the information given by these companies. This approach is used systematically and objectively to describe and measure each company's unique information. In doing this, the researcher gains a pronounced understanding and comprehension of the vast amount of data. Lastly, the

advantage of using this approach is that the research is conducted without disturbing the financial data, providing a true representation of the information.

### **3.2 Data collection and procedure**

Prior to the commencement of this study, the most relevant documents for the study were selected by reviewing the advantages of different methods and utilizing the factors identified by Bowen (2006:33). The accuracy, credibility, authenticity and representativeness of the documents were considered. Furthermore, the completeness, purposes and source of the documents were reflected on. Lastly, it was ascertained whether or not the documents would contribute to the objectives of the study. It was finally determined that the published financial statements of the selected companies would be the most appropriate documents for the purpose of the study. This is due to the fact that the financial statements of the selected companies comply with International Financial Reporting Standards (IFRS), Johannesburg Stock Exchange (JSE) requirements and information in the financial statements are firstly prepared by professional accountants, secondly reviewed by the company's audit committee and lastly audited or at least reviewed by independent auditors, thereby confirming the trustworthiness and authenticity of the financial statements (Yoshino & Taghizadeh-Hesary, 2020:1).

The qualitative data extracted from the selected documents were coded into pre-established categories so that a pattern for presenting and reporting of data can be determined (Abeysekera & Guthrie, 2005:156). Abeysekera and Guthrie (2005:156-157) also observed that when analysing financial statements of companies, not only words, sentences, paragraphs, and amounts should be collected, but it should also be interpreted in financial terms. Vourvachis and Woodward (2015:173), commented that form-oriented designs are used to analyse and codify large amounts of data, attempting to identify disclosure forms and tendencies between companies and identify the elements of the disclosure. Basit (2003:144) states that by using coding as part of the analysis, a theoretical scheme is created that helps the researcher analyse the data.

For the purpose of this study, a coding scheme was used to analyse the different words, sentences and amounts disclosed in the financial statements of the selected travel and leisure companies. This was necessary, as analysing the data in financial terms is the second step in codifying the qualitative data within the financial statements into categories.

The first step in the coding process was to gain an initial understanding of the coding structure by studying similar articles. First and foremost, the article written by Alao and Gbolagade (2020:108-115) and the guidelines given by Arnold and Gould (2020:1-24) were used to classify the items in the financial statements of the different travel and leisure companies. The guiding principles on applying IFRS during the coronavirus outbreak, provided by Ernst & Young (2020:1-13), were studied to identify accounting requirements and standards that should be considered when preparing financial statements, and when addressing the accounting effects of the coronavirus. The categories used in this article were thus codified as follows: Category 1: Going Concern; Category 2: Events After the Reporting Period; Category 3: Fair Value Measurement and Impairment; Category 4: Revenue Recognition; and Category 5: Other financial statement disclosure.

Additionally, the literature review and the Johannesburg Stock Exchange (JSE) announcement made on 8 July 2020 were utilized to categorise the information in these financial statements into the above-mentioned categories. The criteria used in the coding scheme included a variety of different criteria, ranging from estimations and assessments to additional disclosure in light of COVID-19. These categories were used to determine the IFRS implications of COVID-19 on selected travel and leisure companies listed on the JSE. Furthermore, it was used to establish what additional disclosure these companies made in light of the coronavirus.

### **3.3 Sampling**

The objectives of this paper are firstly to examine the IFRS implications of COVID-19 for a selection of JSE listed travel and leisure companies that qualified for the extension period granted by the Financial Sector Conduct Authority (FSCA), and secondly to identify the additional disclosure prepared by these companies in light of the coronavirus. On 29 May 2020, as stated in the JSE notices (JSE, 2020:1), the Financial Sector Conduct Authority acknowledged the impact of COVID-19 and granted JSE listed companies with a financial year-end in a specified period, a two-month extension to fulfil all their reporting obligations, including the publishing of financial statements. Furthermore, the FSCA granted JSE listed companies with interim reporting periods in the same timeframe a one-month extension to their interim reporting deadlines (JSE, 2020:1).

A list of all the travel and leisure companies listed on the Johannesburg Stock Exchange (JSE) was obtained from IRESS (IRESS, 2020:1). To form part of this study the travel and leisure companies selected should meet the FSCA extension requirements (JSE, 2020:1). Using the available information at the researcher's disposal, it was deemed appropriate that this paper will focus on a hundred percent of the travel and leisure companies listed on the JSE. It is believed that this will provide the best representation of the effect of COVID-19 on the financial information of the travel and leisure sector in South Africa in its entirety. Sixty percent of the companies qualified for the study, as these companies have a financial year-end in the period of 31 December 2019 until 31 July 2020. The remaining forty percent of the travel and leisure companies qualified, as these companies have interim reporting timeframes in the same period. The reporting periods of the companies range from 31 December 2019 until 30 June 2020. For the majority of the travel and leisure companies, the annual financial statements were used with the exception of four companies, where the interim financial statements were used.

These ten companies represent the entirety of the travel and leisure companies in South Africa that comply with the Johannesburg Stock Exchange's listing requirements. Therefore, these companies are the prime representatives for the travel and leisure industry as part of this study.

#### **4. RESULTS AND DISCUSSION**

A document content analysis was performed to examine the IFRS implications of COVID-19 on the selected travel and leisure companies listed on the Johannesburg Stock Exchange (JSE). This analysis was performed on the published financial statements of these selected companies. As discussed in the methodology, the content analysis is presented under five different coded categories. In this section of the article, the focus is firstly on the Going Concern assessment, following on the Events After the Reporting Period is analysed. Fair Value Measurement and Impairment in the financial statements are examined, and the Revenue Recognition disclosed by the travel and leisure companies is studied. Lastly, any other financial statement disclosure presented by the companies is considered.

## 4.1 Going Concern

Before the company's financial statements are prepared, IAS 1 Presentation of Financial Statements requires the management of the company to assess the ability of the company to be a going concern and whether or not the financial statements should be prepared on this assumption (Ernst & Young, 2020:5). When making this assessment, IAS 1 furthermore states that management should consider all available information related to at least the next twelve months. This includes any COVID-19 related uncertainties (Ernst & Young, 2020:5). Additional disclosure is required should the company establish any material uncertainties that cause any form of reasonable doubt that the company will be operating as a going concern in the foreseeable future (Arnold & Gould, 2020:1). According to Ernst & Young (2020:5), given the indeterminate impact of the coronavirus pandemic, even if the company prepares the financial statements on the going concern assumption, additional disclosure is required to provide a clear understanding to the users of financial statements about the material uncertainties related to the coronavirus outbreak.

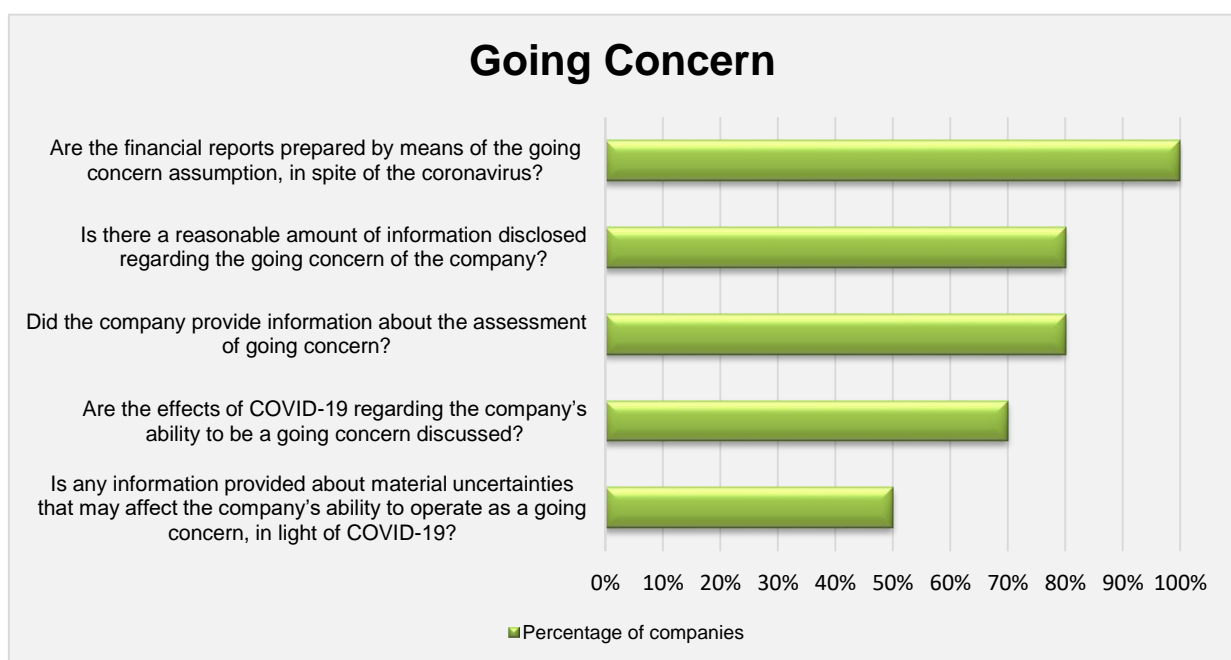
From the content analysis, it is evident that the travel and leisure companies took great care when considering the impact of COVID-19 on going concern. All companies decided to prepare their financial statements on the going concern assumption, despite the pandemic's unpredictability (see Annexure B for more information). Most of the companies' management provided the users of financial statements with information relating to the assessment about the company's ability to operate as a going concern in the next twelve months. Some companies, to assist with this assessment, made cash flow forecasts in terms of the knowledge available and expectations of the ongoing developments related to the COVID-19 pandemic. Other companies stated that they had made the assessment to prepare the financial statements under the going concern assumption, believing that they will operate in the future even if the national lockdown restrictions were not lifted entirely.

Various companies disclosed additional information about material uncertainties faced by the company due to COVID-19. Companies disclosed information about the uncertainties relating to the impact of the national lockdown, additional restrictions given by the government and the liquidity of these companies. Most companies provided the users of financial statements with information on plans to ensure the company's liquidity. Different companies have different strategies in place. A number of companies are planning to

ensure liquidity by offering rights to shareholders and obtaining funds from lenders. Other companies are focused on cost leadership as a strategy to reduce corporate and shared function costs. Lastly, some companies indicated plans including right-sizing of workforce, restricting payments to key business creditors and applying for relief measures given by the South African government.

The results of this category are shown in Figure 1, with a full content analysis provided in Annexure B.

**Figure 1: Category 1**



Source: Compiled by authors from the collected data

## 4.2 Events After the Reporting Period

According to the International Financial Reporting Standards (IFRS) (IFRS, 2017:1), IAS 10, Events After the Reporting Period, are events in an organization between the financial year-end date and the date on which financial statements are authorized for issue. Two types of subsequent events exist, namely adjusting and non-adjusting events. Depending on the company's financial reporting date, COVID-19 can be seen as either an adjusting or non-adjusting event and may affect the disclosure, recognition and measurement (Kegalj, 2020:1). Arnold and Gould (2020:1) suggested that for companies with reporting periods on or before 31 December 2019, the coronavirus outbreak should be disclosed as an event that arose after the reporting period. As for companies with

financial year-ends after December 2019, the virus outbreak would be classified as a current event, which suggests that these companies would have to determine to what extent new developments after the financial year-end date would be recognized in the current reporting period.

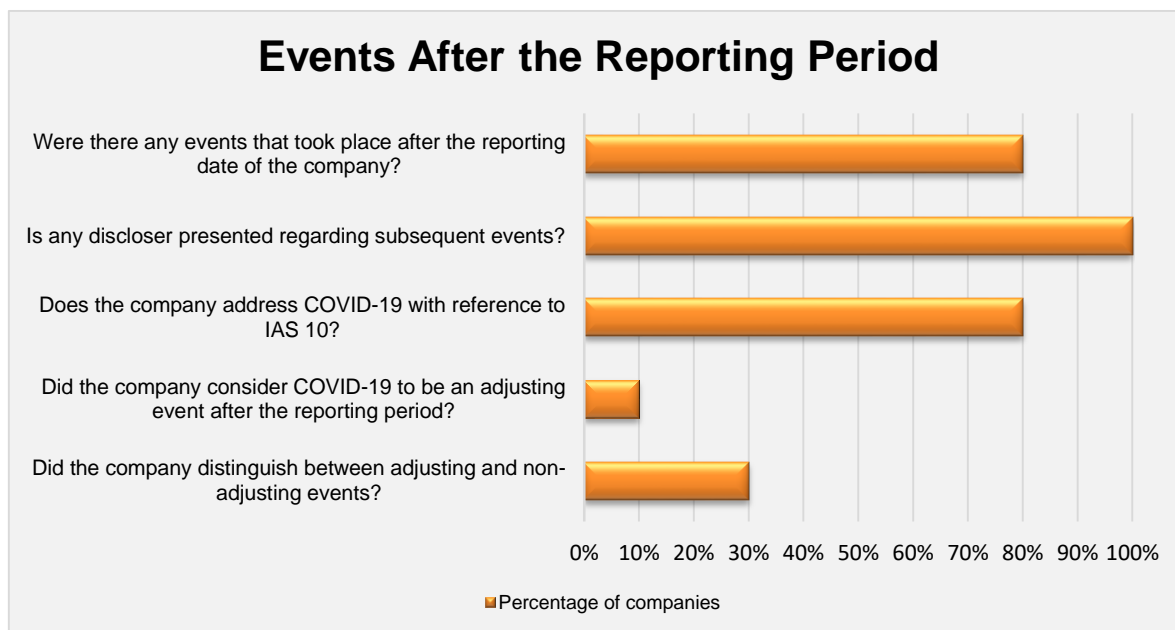
Ernst & Young (2020:3) commented that companies would be required to disclose information on the nature of all material non-adjusting events that arose after the year-end date. Companies would have to provide estimations on the financial effects of these non-adjusting events. For example, they would have to disclose how the pandemic affected their company's processes and operations. If the company could not provide the users of financial statements with these estimations, the company is obligated to disclose this fact.

The results for Events After the Reporting Period presented that all the travel and leisure companies disclosed information about subsequent events, either stating that there were none or discussing the particulars of the events that had taken place. Moreover, eighty percent of the companies in the sample addressed the impact of COVID-19 on these subsequent events (see Annexure B for more information). Several companies provided information about measures announced by the South African government after their year-end date and how these measures would affect their financial statements. These companies also disclosed information about the reopening of organizations, for instance, after the government adjusted the lockdown alert levels. Certain companies provided information on the responses that were implemented after these measures had been announced. The responses disclosed included capital expenditure, rent relief, reductions in salaries and retrenchment of a workforce percentage.

Lastly, the results show that even though the coronavirus had affected the economy, only one of the companies considered COVID-19 to be an adjusting event for the 2020 financial year. This company stated that following the declaration of the national state of disaster in South Africa and the related implication of COVID-19, all the company's assets and liabilities had been adjusted to account for the effect of the coronavirus.

The results of this category are shown in Figure 2, with a full content analysis provided in Annexure B.

**Figure 2: Category 2**



Source: Compiled by authors from the collected data

### 4.3 Fair Value Measurement and Impairment

IFRS 13 Fair Value Measurement specifies that fair value measurement is an estimated exit price based on assumptions and risks that different market participants would make under existing market conditions (Ernst & Young, 2020:6). IFRS 13 additionally states that when the assessment for fair value measurements is made, the company would have to consider what conditions were known to the market participants. Fair value measurements during the coronavirus pandemic would thus depend on whether or not the severity of the outbreak was known to the market participants at the time of the valuation. Companies would have to provide disclosure to help the users of financial statements understand the techniques and inputs used for fair value measurements (Ernst & Young, 2020:6).

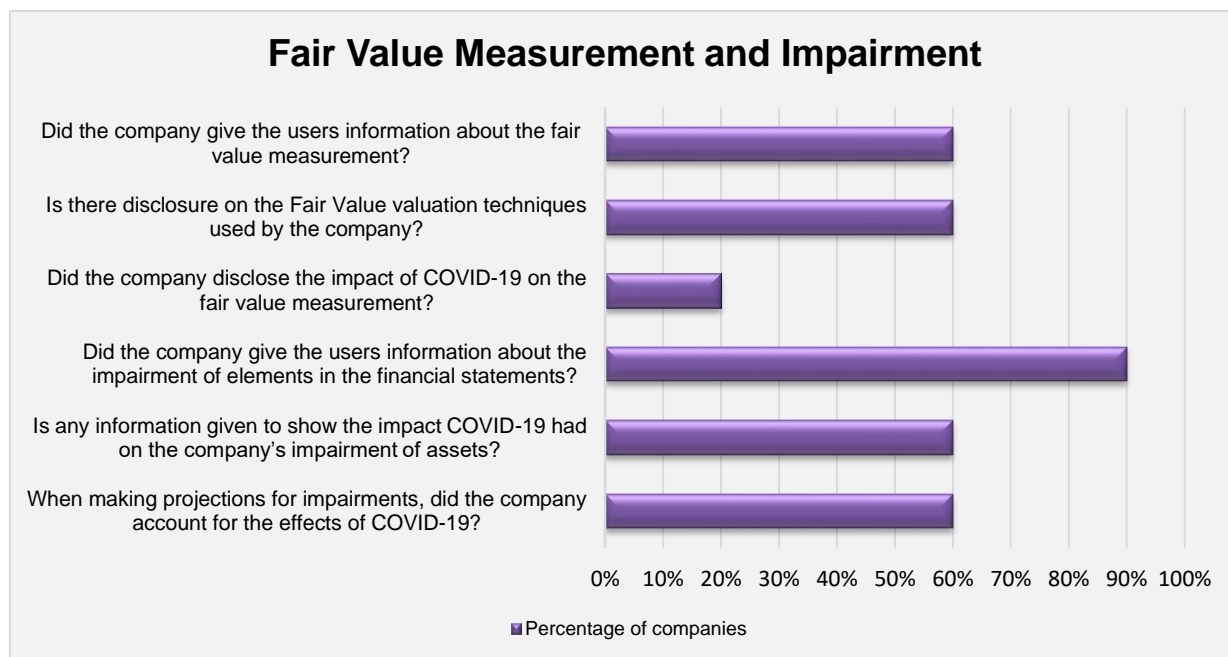
Similarly, for impairment assessments, companies should disclose detailed information to the users of financial statements about the assumptions and the impact of changes in these assumptions (Ernst & Young, 2020:9). When measuring the recoverable amount under IAS 36, companies would have to use projections based on practical and supported assumptions that take the best estimates of management for the asset's remaining useful life in the current economic conditions (BDO, 2020:1). Any projections and valuations made by the company for impairments as at 31 December 2019 would have to be reviewed to ensure that the effects of COVID-19 are accounted for (BDO, 2020:1).

The document content analysis brought to light in relation to fair value measurement and impairments, the following information disclosed in the financial statements of the travel and leisure companies. Firstly, sixty percent of the companies disclosed information about fair value measurement and the techniques used for these measurements (see Annexure B for more information). A number of these companies showed how they had categorised fair value measurement into different levels. Some companies had two levels, whereas other companies had three. However, only 20 percent of the travel and leisure companies disclosed any information about the impact of COVID-19 on fair value measurement. These companies stipulated that the pandemic has had a noteworthy impact on the South African economy and the travel and leisure industry. This has in turn had a significant impact on the fair values of these companies. The companies ensured the users of financial statements that when fair values for the 2020 year had been determined, this impact was considered.

Secondly, ninety percent of the companies provided the users of financial statements with information about the impairment of elements in the financial statements, and sixty percent of the companies disclosed information regarding the impact of COVID-19 on the impairment of assets (see Annexure B for more information). Some companies specified in their financial statements that COVID-19 is viewed as a trigger for impairments. These companies acknowledged that they had assessed the impact of the virus outbreak on the recoverable amount of different elements in their financial statements. Different companies also disclosed information on the exact financial impact on impairments as a result of the national lockdown. Lastly, a few of the travel and leisure companies provided the users with information on how the recoverable amount had been determined and how the effect of the coronavirus was accounted for when calculating the recoverable amount used in the 2020 financial year.

The results of this category are shown in Figure 3, with a full content analysis provided in Annexure B.

**Figure 3: Category 3**



Source: Compiled by authors from the collected data

#### **4.4 Revenue Recognition**

IFRS 15 Revenue from Contracts with Customers establishes the requirements that a company would have to apply when reporting financial information regarding the nature, timing, amount and uncertainties of cash flow and revenue received from customers (IFRS, 2020:1). The ability of a company and their customers to act according to all the terms stated within their contract may be called into question due to the COVID-19 outbreak (O'Donovan, 2020:1). Companies and customers may even seek to modify the contract in response to the impact of this virus. Arnold and Gould (2020:1) states that COVID-19 could affect a company's assumptions when measuring the revenue from goods or services, especially for contracts that extend over various reporting periods. O'Donovan (2020:1) specified that companies would be required to disclose conclusions made in their financial statements as well as any changes to these conclusions and judgments that may significantly affect the timing, nature or amount of the revenue accounted.

By examining the travel and leisure companies' financial statements, it is apparent that revenue is of utmost importance for the survival of these companies. All the companies disclosed information about revenue in some way and the majority of the companies showed evidence that COVID-19 had affected their revenue for the 2020 financial year.

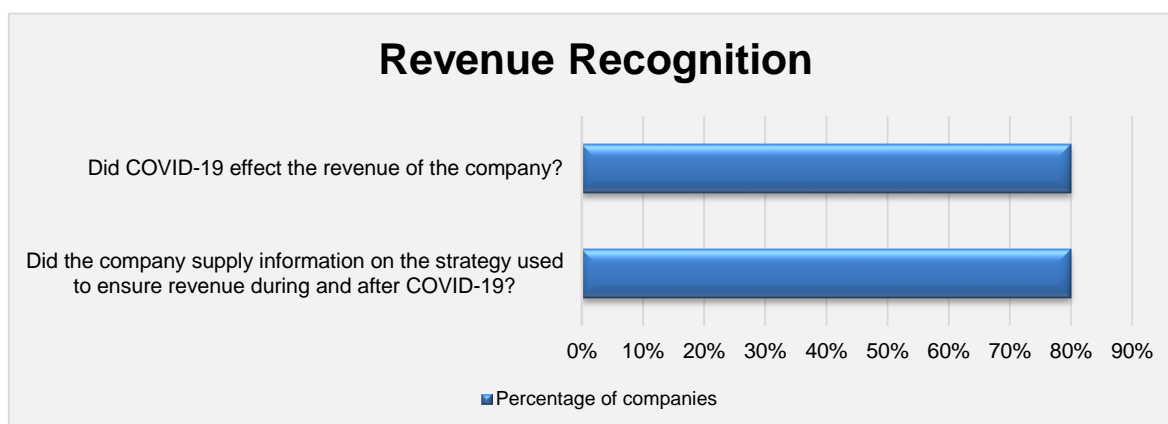
Some of these companies even showed a decline in revenue due to the impact of COVID-19, ranging from six percent to fifty-seven percent.

Furthermore, most travel and leisure companies provided the users of the financial statements with details on the effect of the coronavirus outbreak and lockdown on revenue, showing the financial impact at different stages throughout the different alert levels implemented by the South African government. They showed disclosure on several revenue-generating activities and different contracts for the 2020 financial year. Some companies disclosed information on how COVID-19 affected these existing contracts with customers and the plans in place to keep these contracts intact.

Lastly, the majority of the companies disclosed what the future plans were to ensure revenue for the companies. Each company has its own unique plan of action. Some of the plans disclosed by the companies include marketing funds, recruiting experienced revenue managers, cost-cutting, assessment of short term liquidity and the disposal of non-core assets.

The results of this category are shown in Figure 4, with a full content analysis provided in Annexure B.

**Figure 4: Category 4**



Source: Compiled by authors from the collected data

#### 4.5 Other financial statement disclosures

Companies are required to disclose financial information about assumptions regarding the future and any other major estimations of uncertainties present at the end of the financial

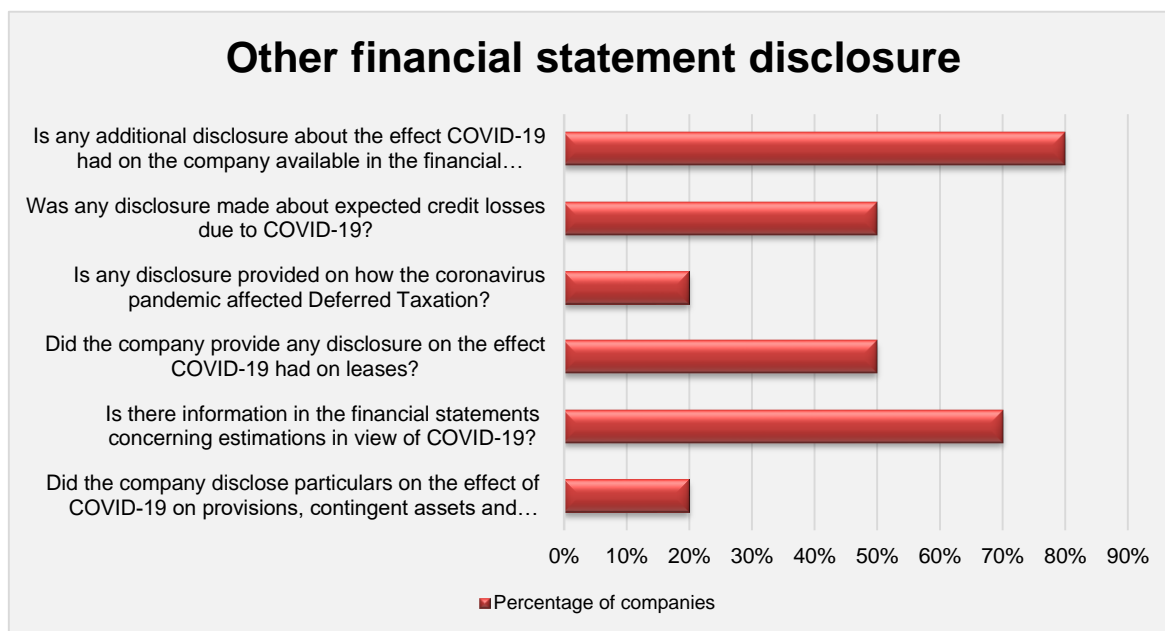
year. This includes any uncertainties about any substantial risks that may result in material adjustments on the carrying amount of assets and liabilities (Ernst & Young, 2020:11). Disclosure about these assumptions and estimations should be presented in a way that allows the users of financial information to fully understand the discernment management had to make regarding the future, other important valuation uncertainties, and how it will affect the future of the company (Ernst & Young, 2020:11). According to Ernst & Young, (2020:11), as a result of COVID-19, companies are also required to consider if any additional information should be disclosed in the financial statements, explaining the impact the virus had on any provisions, contingent assets and contingent liabilities.

From the content analysis, it is evident that the travel and leisure companies reflected on the additional disclosure required in light of the COVID-19 outbreak. Most of the companies supplied the users of the financial statements with supplementary information on the impact of the coronavirus outbreak and national lockdown on companies' financial information. Some of these companies gave information on how the travel and leisure industry was affected, providing statistics on the decline of tourists visiting Africa. As the effects of the coronavirus are uncertain, currently and for the future, some companies also supplied information on the disclosure of expected credit losses due to these uncertainties. These companies not only showed how devastating COVID-19 had been on hotels, travel and tourism, but also provided information looking beyond 2020; planning for the road to recovery in the future.

In addition, twenty percent of the companies disclosed information about how the COVID-19 outbreak affected deferred taxation in the financial year (see Annexure B for more information). These companies stated that due to uncertainties around the full effect of the coronavirus, it is not practical or possible to quantify the exact extent of the financial impact on deferred taxation. Fifty percent of the travel and leisure companies also disclosed additional knowledge with reference to the outcome of COVID-19 on IFRS 16 Leases. Furthermore, seventy percent of the companies also gave the users of financial statements information on how estimations were done in pertaining to the COVID-19 virus. Each company had its own strategy to make much needed and excellent estimations in light of the pandemic; they decided on what was the best for that specific company when focusing on company policies.

The results of this category are shown in Figure 5, with a full content analysis provided in Annexure B .

**Figure 5: Category 5**



Source: Compiled by authors from the collected data

## 5. CONCLUSION

The COVID-19 pandemic has unquestionably caused disruptions not only in South Africa but all across the globe. The measures that were implemented to stop the spread of this virus had a vast impact on the global economy, which led to predictions that the coronavirus pandemic may have had the biggest negative growth impact on the world economy since the Great Depression. Globally, companies were impacted by the pandemic, specifically in South Africa, where companies showed a negative growth in trade and income during the 2020 financial year. The findings of this study show that the travel and leisure companies listed on the Johannesburg Stock Exchange are no exception.

It may be concluded from the findings that the selected travel and leisure companies took great care in preparing their financial statements as required by the International Financial Reporting Standards and the Johannesburg Stock Exchange. The companies provided financial reports with background information on the COVID-19 pandemic and the national lockdown in South Africa. They also provided information on how they had ensured their

employees' safety and all the measures that were put in place to make sure all relevant parties were safe and healthy. The companies presented additional disclosure on their companies' long-term sustainability and the plans they have put into action. In their financial statements, the company management also presented their views on the situation and the impact this virus had had on their companies.

Most of the companies showed the financial statement-users how the coronavirus pandemic affected going concern for the 2020 financial year by providing statistics and information on the processes of assessing going concern in light of the virus outbreak. This shows that during the novel coronavirus, pandemic going concern is still important to these companies. When the data for the study was analysed, it was evident that companies decided to prepare the financial information in terms of the going concern assumption. Therefore, it can be concluded that even with the effects COVID-19 had on the economy, the companies are confident in their abilities to operate in the foreseeable future. However, the findings show that COVID-19 is still very new, and the full financial impact that the coronavirus outbreak had and will have in the future on the finances and reports of companies is truly uncertain.

The examination of the financial documents revealed that most of the travel and leisure companies were unsure of what the future might hold, as these companies had plans for various outcomes. It emanates how important it is for companies to account for the effects of this virus and that companies should plan effectively for the impact of COVID-19.

Based on the findings, it is recommended that companies take due care in preparing financial information. Companies should not take the impact of COVID-19 on their financial information lightly. Companies should ensure that financial reports and information are transparent and reflect the company's true financial situation. Plans should be in place, not only for the lasting effects of COVID-19 but also for the future, should the world be faced with a novel crisis once more.

## **CHAPTER 3: CONCLUSION**

### **3.1. INTRODUCTION**

This chapter provides the conclusion of the study. It will commence with a reflection on both the research question and objectives of the study. Secondly, the study's limitation will be discussed, and finally, the chapter will provide recommendations for future research

### **3.2. REFLECTION ON THE RESEARCH QUESTION AND OBJECTIVES**

#### **3.2.1. Background to the study**

The first chapter in the research study provides the background and motivation for the study. The first chapter furthermore includes the problem statement, research question and the study objectives as a whole.

In the background and introduction to the study, the particulars of the novel coronavirus are introduced. Similar to historical disease crises, the world has felt the impact of the new virus in an immense way. Economies all across the world have been affected, and the full impact of this virus is still unknown. Companies all over the world experienced different challenges and uncertainties. The International Financial Reporting Standards (IFRS) implications of the new coronavirus on all South African listed companies are uncertain. There is no accounting standard to give exact guides on the matter. Moreover, the additional disclosure required for transparency of financial statements is undefined.

This framed the research questions of the study: Following on the problem statement, the subsequent research questions can be formulated: (i) What are the IFRS implications of COVID-19 on a selection of travel and leisure companies listed on the JSE, and (ii) what additional information is disclosed by these companies? This research questions led to the formulation of the primary and secondary study research objectives. The study's main objective was to examine the IFRS implications of COVID-19 for a sample of Johannesburg Stock Exchange (JSE) listed companies. The secondary objective considered was to identify any general additional disclosure.

Lastly, chapter one discussed the research design and method that were used for the study. For the purpose of this study, an inductive approach and qualitative research method were used. This was deemed the best method for this study as the research was not focused on numerical data. The examination of the financial statements was done through a content document analysis. These financial statements were chosen as they were reviewed and deemed trustworthy. Furthermore, the arguments in this study are based on different experiences and observations of the researcher.

### **3.2.2. Research question and primary objective**

As mentioned, the research question was formulated after the problem was identified. In order to address the research question and problem statement, the research objectives were formulated. The main objective was the examination of the IFRS implications COVID-19 had on selected companies listed on the JSE.

The research question and primary objective of the study were addressed, answered, and achieved in the second chapter by qualitatively analysing the companies' financial statements. This was done to establish the IFRS implications of the coronavirus on each of the company. Most of the travel and leisure companies disclosed how COVID-19 affected their company and what the IFRS implications were for different IFRS standards. This was evident through the qualitative document content analysis of the financial reports by utilizing the coding categories developed through exploring literature. By making the most of the JSE extension period, the companies took inordinate care in preparing financial statements for the 2020 financial year. Most of the companies provided the users of financial statements with sufficient information on how COVID-19 affected them, giving contextual information, evidence on the effects of the virus outbreak on several IFRS standards and explaining estimations on what the future may hold both during the coronavirus pandemic and afterwards.

### **3.2.3. Secondary objective**

As with the primary objective, the secondary objective of the study was addressed and achieved in chapter two. The secondary objective considered in the study was to identify the general additional disclosure required for faithful representation of financial statements.

In chapter 2, the research article, the additional disclosure required for the accurate representation of financial reports was discussed. In the second section of the article, a literature review was done. This literature review was an important step in developing the coding categories used to analyse the study's data. Moreover, it was through examining the literature where the additional disclosure requirements were evident. Accounting standard setters and experts gave literature and information on what additional disclosure may be required when looking at how similar crises were handled throughout history.

Most of the travel and leisure companies provided the users of financial statements with additional background information on COVID-19 and the lockdown in South Africa. The companies gave evidence on how COVID-19 affected employees, safety protocols, and the adjusted way the companies operated during the lockdown. Company management also referred to plans and protocols in place, and the difficulties companies face to deal with the circumstances ensuing the lockdown. Where deemed appropriate, these travel and leisure companies also made supplementary disclosures available for different parts of the financial statements.

### **3.3. SUMMARY AND CONCLUSION OF THE RESULTS**

In the Johannesburg Stock Exchange (JSE) letter of 8 July 2020 (JSE, 2020:1) companies were advised to use the extension period granted by the Financial Sector Conduct Authority (FSCA) to ensure that they carefully consider all the implications of the pandemic on the financial results before they publish any financial information to the stakeholders of the company. The JSE urged listed companies to consider the impact of the coronavirus outbreak and lockdown in South Africa on their financial statements (JSE, 2020:1). Moreover, companies were urged to carefully reflect on the measurement implications of COVID-19 and whether or not any additional disclosure of the COVID-19 impact would be necessary (JSE, 2020:1). Lastly, companies were cautioned to reassess the going concern assumption, in light of the novel coronavirus pandemic.

The question remained: did JSE listed travel and leisure companies use this extension to the best of their ability and did they provide the users of financial statements with useful and accurate financial information?

The qualitative document content analysis revealed that travel and leisure companies exercised due care in preparing their financial information and reports for the 2020 year. Most of the companies provided the stakeholders with information on COVID-19 and how this novel virus affected their companies. Furthermore, the study results emanate that the world is still in the early stages of this virus when it comes to comprehending its full financial outcome and consequences. Therefore, this shows that the full effects of the COVID-19 pandemic on revenue and financial information by companies as a whole is unquestionably uncertain.

Furthermore, the study showed that all the travel and leisure companies prepared their 2020 financial statements on the going concern assumption. This indicated something positive for the South African travel and leisure industry. Reassuring their shareholders and other stakeholders, these companies provided hope and belief that they will be operating in the foreseeable future, despite COVID-19 and lockdown uncertainties in South Africa.

The content analysis provided evidence in support of the fact that even when faced with a crisis like COVID-19, the travel and leisure companies took ample care and consideration when preparing financial information. These companies gave the users of financial statements vast and clear financial information as far as possible. Companies showed the effect of the coronavirus on their financial reports and provided information of all the uncertainties they may have due to COVID-19. The analysis determined that the travel and leisure companies were unsure of what the future had in store. This emphasized how important it was for companies to account for the effects of this virus and plan effectively for the impact of COVID-19.

### **3.4 RECOMMENDATIONS**

Emanating from the conclusion of the study findings, it is recommended that listed companies thoughtfully consider the impact of COVID-19 on the company. Companies should take into consideration that COVID-19 is still in the early stages and ought to plan accordingly. These companies should not consider the impact of the coronavirus as insignificant and should ensure that the effect is accounted for when preparing for current and future financial statements. Companies should take due care in preparing their financial information, not only in normal economic circumstances but also during times of

crises and this coronavirus pandemic. Providing the users with good quality and transparent financial information is of utmost importance as it provides stakeholders with confidence.

Furthermore, companies should disclose additional information about (i) How the coronavirus affected going concern assumptions in the 2020 year; (ii) Events that took place after the reporting period and state whether or not COVID-19 affected the statements subsequently; (iii) How fair value measurements and impairments were affected by COVID-19; (iv) The revenue of the company, showing how the pandemic and lockdown affected income for the 2020 financial year; and (v) If the company is expecting any credit losses in the future as a result of COVID-19.

Lastly, companies should ensure that effective response plans are in place, should it be necessary for future crises.

### **3.5 LIMITATIONS**

This study did not focus on all Johannesburg Stock Exchange (JSE) listed companies. The study only took into account the travel and leisure companies listed on the JSE. This is only a small percentage of all the companies that are currently listed on the Johannesburg Stock Exchange. Furthermore, for these travel and leisure companies, the study could only focus on reports available to the public for a specific financial year, 31 December 2019 until 31 July 2020.

COVID-19 and the South African lockdown was a current event at the time this study was done. The study did thus not examine the effects of the novel coronavirus in full. The study could only account for the coronavirus's current impact on International Financial Reporting Standards (IFRS) and certain companies. Future effects and the lasting impact of the COVID-19 outbreak in South African travel and leisure companies listed on the JSE could not be studied.

The study focused only on the travel and leisure industry, other industries like the retail industry, real estate investment and manufacturing, also affected by the novel coronavirus, did not form part of the study. Hence the IFRS implications of COVID-19 on the financial statements of these companies were not examined in this study.

### **3.6 FUTURE RESEARCH**

One of the recommendations for future research in the same research field is to conduct the qualitative document content analysis once more with a larger population of companies and over a period of time, for example utilizing a five-year period. This will show the International Financial Reporting Standards (IFRS) implications of COVID-19 for Johannesburg Stock Exchange (JSE) listed companies more accurately. Research studies can be done on the impact COVID-19 had and will have on small and medium companies. It is more likely that smaller or medium-sized companies will experience a bigger impact with regards to COVID-19 as these companies do not have the financial background as JSE listed companies. Furthermore, future research can be done to study the effects the coronavirus had on manufacturing companies' revenue. Lastly, it would be recommended that the financial effects of COVID-19 be studied after lockdowns across the world have been lifted.

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## ANNEXURE A – COMPANY DEMOGRAPHICS

COMPANY NAME	ABOUT THE COMPANY	ADDRESS & CONTACT DETAILS	AUDITOR	TOTAL ASSETS	INTERESTING FACTS
Arden Capital Limited	The Arden Capital company is a Mauritian diversified investment holding company and is listed on the JSE. This company invests in assets that are consumer-facing and cash-generative. Their aims include building a portfolio that will deliver capital growth, with the focus on Zimbabwe.	c/o Adansonia Management Services Limited Suite 1, Perrieri Office Suites, C2-302, Level 3, Office Block C, La Croisette, Grand Baie, 30517, Republic of Mauritius. Tel: +230 269 4166 Fax: +230 468 1267 Email: investorrelations@arden-capital.com Webpage: <a href="https://www.arden-capital.com/">https://www.arden-capital.com/</a>	Independent Statutory Auditors: Deloitte Business Registration Number: P10019073, 7th-8th Floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, Réduit 72201, Mauritius  JSE Accredited Independent Auditors: Deloitte 5 Magwa Crescent, Waterfall City, 2090, Johannesburg, Gauteng, South Africa	On 30 June 2020 the company had a total of US\$124 700 632 assets.  The year before on 30 June 2019 the company had a total of US\$122 998 117 assets.	Arden Capital Limited is formerly known as Brainwork Limited.  The Arden Capital group structure includes Arden Capital (Private) Limited 100%; African Sun Limited 57.67%; Dawn properties Limited 66.81%; and FML 100%.  The board of Arden Capital Limited endorses the King IV principles as part of the company's corporate governance and has four separate committees to assist with the corporate governance of the company.

City Lodge Hotel Group Limited	<p>The City Lodge Hotel Group has a variety of hotels not only in South Africa but across the African continent. The hotels that form part of this group are dedicated to providing their guests with comfort at the level that suits each individual guest's needs.</p> <p>The company's vision is to be recognised as the preferred hotel group in sub-Saharan Africa. With values that include, caring for guests and the communities in which the company situated.</p>	<p>The Lodge" Bryanston Gate Office Park, Corner Homestead Avenue and Main Road, Bryanston. P O Box 97, Cramerview, 2060. Telephone: +27 11 557 2600 Fax: +27 11 557 2601 Email: info@clhg.com Reservations: 0800 11 37 90 Webpage: https://clhg.com/</p>	<p>KPMG Crescent 85 Empire Road Parktown Johannesburg 2193</p>	<p>For the year ended 30 June 2020 the City Lodge Hotel Group had total assets to the amount of R3 858 404 000.</p> <p>As for in the 2019 financial year the company had assets to the value of R3 025 728 000.</p>	<p>For the year ending 30 June 2020 the City Lodge Hotel Group Limited had a revenue of R1,16bn.</p> <p>The dividend declared by the City Lodge Hotel Group Limited amounted to 153,0c per share for the 2020 financial year.</p>
Comair Limited	<p>Comair is an aviation and travel group founded in 1946 and has been operating in Southern Africa for over six decades. The company also has an internationally recognised safety record.</p> <p>Since the year 1996, the company has serviced local and regional routes under the British Airways livery. This forms part of the licence agreement the company has with British Airways.</p> <p>In the year 2001 Comair launched Kulula. This was the first low-cost airline for South Africa. Interestingly, the word "kulula" means easily in the Zulu Language.</p>	<p>Head Office Telephone Number: +27 (0) 11 921 0111 Physical Address: 1 Marignane Drive Bonaero Park South Africa 1619 Email: cr@comair.co.za Webpage: https://www.comair.co.za/</p>	<p>BDO South Africa Incorporated Wanderers Office Park 52 Corlett Drive Illovo, 2196</p>	<p>On 31 December 2019 Comair had a total of R8 698 226 000 assets.</p> <p>For the unaudited 6-month period on 31 December 2018 the company had total assets amounting to R6 616 108 000.</p>	<p>The Comair Limited brand includes two airline brands namely British Airways and Kulula.com.</p> <p>Across the two brands Comair Limited operates 26 Boeing 737 aircrafts. The company's fleet furthermore comprises of 23x next-generation Boeing 737-800s, 3x Boeing 737-400, 10x next-generation Boeing 737-800s, 3x Boeing 737-400s, and lastly 13x next-generation Boeing 737-800s</p>

<p style="text-align: center;">Famous Brands Limited</p>	<p>Famous Brands Limited is Africa's leading branded food service franchisor.</p> <p>Famous Brands dates back to the year 1960. During this time a family started a business with a limited supply chain and comprised of one brand, known as Steers.</p> <p>The company operates franchised, master license and company-owned restaurants. The three core pillars of the company include: Brands, Manufacturing and Logistics.</p> <p>Famous Brands portfolio consists of 24 restaurant brands including, Steers, Wimpy, Mugg &amp; Bean, Debonairs Pizza and House of Coffees, to name a few. In South Africa, the rest of Africa, the Middle East and the United Kingdom, the company has a total of 2 898 restaurants.</p>	<p>Head Office Tel: +27 11 315 3000 Webpage: <a href="https://famousbrands.co.za/">https://famousbrands.co.za/</a> Address: 478 James Crescent, Midrand, Gauteng Postal Address: PO Box 2884, Halfway House, 1685</p>	<p>Deloitte &amp; Touche Deloitte 5 Magwa Crescent Waterfall City Waterfall Docex 10 Johannesburg</p>	<p>This company had a total of R6 173 171 000 assets as at 29 February 2020.</p> <p>At the end of the 2019 financial year the company had a total of R4 959 933 000 assets.</p>	<p>Famous Brands has the vision to be the leading innovative food service and branding franchised business in South Africa as well as in other selected markets.</p> <p>The company's core values include: Growth; Quality; Humility; Speed; Agility; Innovation; and Integrity.</p> <p>The company was listed on the JSE in the year 1994.</p>
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<p style="text-align: center;">Hosken Passenger Logistics and Rail Limited</p>	<p>Hosken Passenger Logistics and Rail Limited (HPL &amp; R) is a company focused on investments in the mobility and logistics sector. Currently the company has a portfolio in the commuter bus and luxury coach segments. The company has over 157 years of expertise.</p> <p>HPL &amp; R) has a number of investments. The company has a 100% investment in Golden Arrow Bus Services; 100% investment in Sibanye Bus Services; 33.33% investment in N2 Express; 76% investment in the company Eljosa Travel &amp; Tours; and lastly, the company has a 100% investment in Table Bay Rapid Transit.</p>	<p>103 Bofors Circle Epping Industria 7460          PO Box 115 Cape Town 8000          Tel 021 507 8800          Fax 021 534 8818          Email <a href="mailto:info@hplr.co.za">info@hplr.co.za</a>          Webpage: <a href="https://www.hplr.co.za/">https://www.hplr.co.za/</a></p>	<p>BDO South Africa Incorporated.          6th Floor,          123 Hertzog Boulevard,          Foreshore,          Cape Town,          8001          (PO Box 3883, Cape Town, 8000)</p>	<p>As at 31 March 2020 the company had total assets to the value of R2 363 634 000.</p> <p>Furthermore, as at 31 March 2019 the company's total assets amounted to R2 220 330 000.</p>	<p>For the 2020 financial year Golden Arrow's fleet consumed 2.53 kilometres/litres of fuel. The Sibanye Bus Services employed 2 534 staff members and travelled a total of 65 million kilometres. Table Bay Rapid Transit travelled a total of 4.1 million kilometres and employ 237 staff members. Lastly for the 2020 financial year ended on 31 March 2020 the Eljosa Travel &amp; Tours company travelled a total of 2.8 million kilometres.</p>
<p style="text-align: center;">LUXE Holdings Limited</p>	<p>The company has a dream to be the preferred premium watch and jewellery retailer in South Africa. They strive to deliver a memorable shopping experience to all customers and have a work environment that inspires the employees of the company to always give their best to the company and its customers.</p> <p>LUXE Holdings states that the company's purpose is to put the customer at the centre of everything they do by delivering an affordable and premium luxury experience.</p>	<p>PO Box 784429          Sandton,          2146          Tel: +27(0) 11 669 5600          Email: <a href="mailto:info@luxeholdings.co.za">info@luxeholdings.co.za</a>          Webpage:  <a href="https://www.luxeholdings.co.za/">https://www.luxeholdings.co.za/</a></p>	<p>BDO South Africa Incorporated          Wanderers Office Park          52 Corlett Drive          Illovo,          2196</p>	<p>For the year ended 29 February 2020 LUXE Holdings had assets to the total of R468 160 000.</p> <p>As for the year before, on 29 February 2019 LUXE Holdings had a total of R258 514 000 assets.</p>	<p>LUXE Holdings offers a diversified portfolio that is focused on first time jewellery buyers.</p> <p>Arthur Kaplan, NWJ Jewellery and World's Finest Watches are some of the brand included in the LUXE Holdings Limited company.</p> <p>The company includes the values of leadership, quality, diversity, passion, accountability, integrity, collaboration, innovation and service excellence as part of their vision for a better company.</p>

Spur Corporation Limited	<p>The Spur Corporation is primarily a franchisor. The company supports and manage franchised restaurant operations utilising their skills, support structures, experiences and more.</p>	<p>Registered office: 14 Edison Way, Century Gate Business Park, Century City, 7441 Telephone: 021-555-5100 E-mail: spur@spur.co.za Webpage: <a href="https://www.spurcorporation.com/">https://www.spurcorporation.com/</a></p>	<p>KPMG Incorporated Registered Auditor The Halyard 4 Christiaan Barnard Street Cape Town City Centre 8000</p>	<p>For the six months ended 31 December 2019 the company had total assets amounting to R869 707 000.</p> <p>In the 2018 financial year for the same period the company had assets of R1 023 357 000 in total.</p>	<p>Spur Corporation Limited brands include: John Dory's RocoMamas Casa Bella Spur Steak Ranches Panarottis The Hussar Grill And more</p> <p>The company open its first international Namibia Spur franchise in 1991. After this the company opened more international locations in Botswana, Mauritius and Zambia in the year 1995. It was only in 1996 that the first franchise locations were opened in both Swaziland and Australia. In the year 1997 Zimbabwe got their own franchise location, but it was only in 2016 that Spur opened its first location in New Zealand.</p>
Sun International Limited	<p>Sun International brand is known for gaming, hospitality and entertainment and is seen as a premium brand. The company has world class five star hotels, modern casinos and some of the world's prime resorts.</p>	<p>Head Office Tel: +27 11 780 7000 Email:crobook@suninternational.com Webpage: <a href="https://www.suninternational.com/">https://www.suninternational.com/</a> Address: 6 Sandown Valley Crescent, Sandton Gauteng, South Africa</p>	<p>PricewaterhouseCoopers Incorporated 4 Lisbon Lane Waterfall City Jukskei View 2090 South Africa</p>	<p>As at 30 June 2020 Sun International had a total of R22 991 000 assets.</p> <p>At 30 June 2019 the company had a total of R24 635 000 assets.</p>	<p>Sun International has a verity of graduate programs, internships and bursaries available to passionate people trying to make it in the gaming, hospitality and entertainment industry.</p>

Tsogo Sun Hotels Limited	<p>Tsogo Sun Hotels is a prominent company in the southern African hospitality industry.</p> <p>The company has a standing heritage of 50-years for markets in South Africa, Africa, Seychelles and the Middle East. The company has over one hundred hotels across these different countries.</p>	<p>Palazzo Towers East, Montecasino Boulevard, Fourways, 2055 Private Bag X200, Bryanston, 2021 South Africa Tel: +27 11 461 9744 Webpage: <a href="https://www.tsogosun.com/">https://www.tsogosun.com/</a></p>	<p>PricewaterhouseCoopers Incorporated 4 Lisbon Lane, Jukskei View, 2090 Private Bag X36, Sunninghill, 2157</p>	<p>For the year ending 31 March 2020 the company assets amounted to a total of R15 382 000.</p> <p>For the year ending 31 March 2019 the company assets amounted to a total of R14 586 000.</p>	<p>This company has a Citizenship program called Caring Across Communities.</p> <p>Through this program Tsogo Sun Hotels helps uplift and develop South African communities in need. The main focus of this program are on three areas, specifically community development, the natural environment and entrepreneurial developments.</p>
Tsogo Sun Gaming Limited	<p>The company has 13 Tsogo Sun Gaming casinos and 23 Galaxy Bingo sites in South Africa.</p> <p>Moreover, Tsogo Sun Gaming offer more than just authentic casino life and action. The company strives to have activities for the whole family.</p> <p>The company offers live shows, fun-filled events, local and international theatre productions, movies, wonderful dining and ten-pin bowling. The company has theme parks as well as bird parks, that the whole family can enjoy.</p>	<p>Palazzo Towers East, Montecasino Boulevard, Fourways, 2055 Private Bag X200, Bryanston, 2021 South Africa Tel: +27 11 510 7700 Webpage: <a href="https://www.tsogosungaming.com/">https://www.tsogosungaming.com/</a></p>	<p>PricewaterhouseCoopers Incorporated 4 Lisbon Lane, Jukskei View, 2090 Private Bag X36, Sunninghill, 2157</p>	<p>The company had a total of R19 003 000 in assets as at 31 March 2020.</p> <p>In the 2019 financial year the company had a total of R35 077 000 assets.</p>	<p>Names included in the group are as follows: Montecasino; Suncoast; Gold Reef City; Silverstar; Golden Horse; The Ridge; Emnotweni; Blackrock; Goldfields; Mykonos; The Caledon; Garden Route; and Hemingways.</p> <p>For the 2020 financial year Tsogo Sun Gaming had an Income of R11.7 billion, which is a 1% increase from the previous year. The company however showed an adjusted earnings amount of R1.4 billion and an adjusted HEPS of 134.5 cents, both 14% lower than in the 2019 financial year.</p>

## ANNEXURE B - COMPANY ANALYSIS

	Arden Capital Limited	City Lodge Hotel Group Limited	Comair Limited	Famous Brands Limited	Hosken Passenger Logistics and Rail Limited	LUXE Holdings Limited	Spur Corporation Limited	Sun International Limited	Tsogo Sun Hotels Limited	Tsogo Sun Gaming Limited
<b>Going Concern (Category 1)</b>										
Is there a reasonable amount of information disclosed regarding the going concern of the company?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company provide information about the assessment of going concern?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Are the effects of COVID-19 regarding the company's ability to be a going concern discussed?	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
Are the financial reports prepared by means of the going concern assumption, in spite of the coronavirus?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Does the company provide information concerning any material uncertainties that may affect the company's ability to operate as a going concern, in light of COVID-19?	No	No	No	Yes	Yes	Yes	No	No	Yes	Yes
<b>Events After the Reporting Period (Category 2)</b>										
Is any discloser presented regarding subsequent events?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Did the company distinguish between adjusting and non-adjusting events?	No	No	No	Yes	No	No	No	No	Yes	Yes
Does the company address COVID-19 with reference to IAS 10?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company consider COVID-19 to be an adjusting event after the reporting period?	No	No	No	No	No	No	No	No	No	Yes

Where there any events that took place after the reporting date, for the company?	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes
<b>Fair Value Measurement and Impairment (Category 3)</b>										
Did the company give the users information about the Fair Value measurement?	Yes	Yes	No	Yes	No	No	Yes	No	Yes	Yes
Is there discloser on the Fair Value valuation techniques used by the company?	Yes	Yes	No	Yes	No	No	Yes	No	Yes	Yes
Did the company disclose the impact of COVID-19 on the Fair Value Measurement?	No	No	No	No	No	No	No	No	Yes	Yes
Did the company give the users information about the impairment of elements in the financial statements?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Is any information given to show the impact COVID-19 had on the company's impairment of assets?	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes
When making projections for impairments, did the company account for the effects of COVID-19?	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes
<b>Revenue Recognition (Category 4)</b>										
Did the company supply information on the strategy used to ensure revenue during and after COVID-19?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did COVID-19 effect the revenue of the company?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
<b>Other financial statement disclosure (Category 5)</b>										
Is any additional disclosure about the effect COVID-19 had on the company available in the financial statements?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company provide any disclosure on the effect COVID-19 had on leases?	Yes	Yes	No	Yes	No	Yes	No	No	Yes	No
Is any disclosure provided on how the coronavirus pandemic affected Deferred Taxation?	No	Yes	No	Yes	No	No	No	No	No	No

Was any disclosure made about Expected Credit Losses (ECL) as a result of the coronavirus?	Yes	Yes	No	Yes	No	Yes	No	No	Yes	No
Is there information in the financial statements concerning estimations in view of COVID-19?	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company disclose particulars on the effect of COVID-19 on provisions, contingent assets and liabilities?	No	No	No	Yes	No	No	No	No	Yes	No
<b>Cash flow</b>	+	-	+	+	+	+	+	+	+	+