CITY LODGE HOTEL GROUP

UNAUDITED INTERIM REPORT
for the six months ended 31 December 2020

We've missed you.
#Welcomeback

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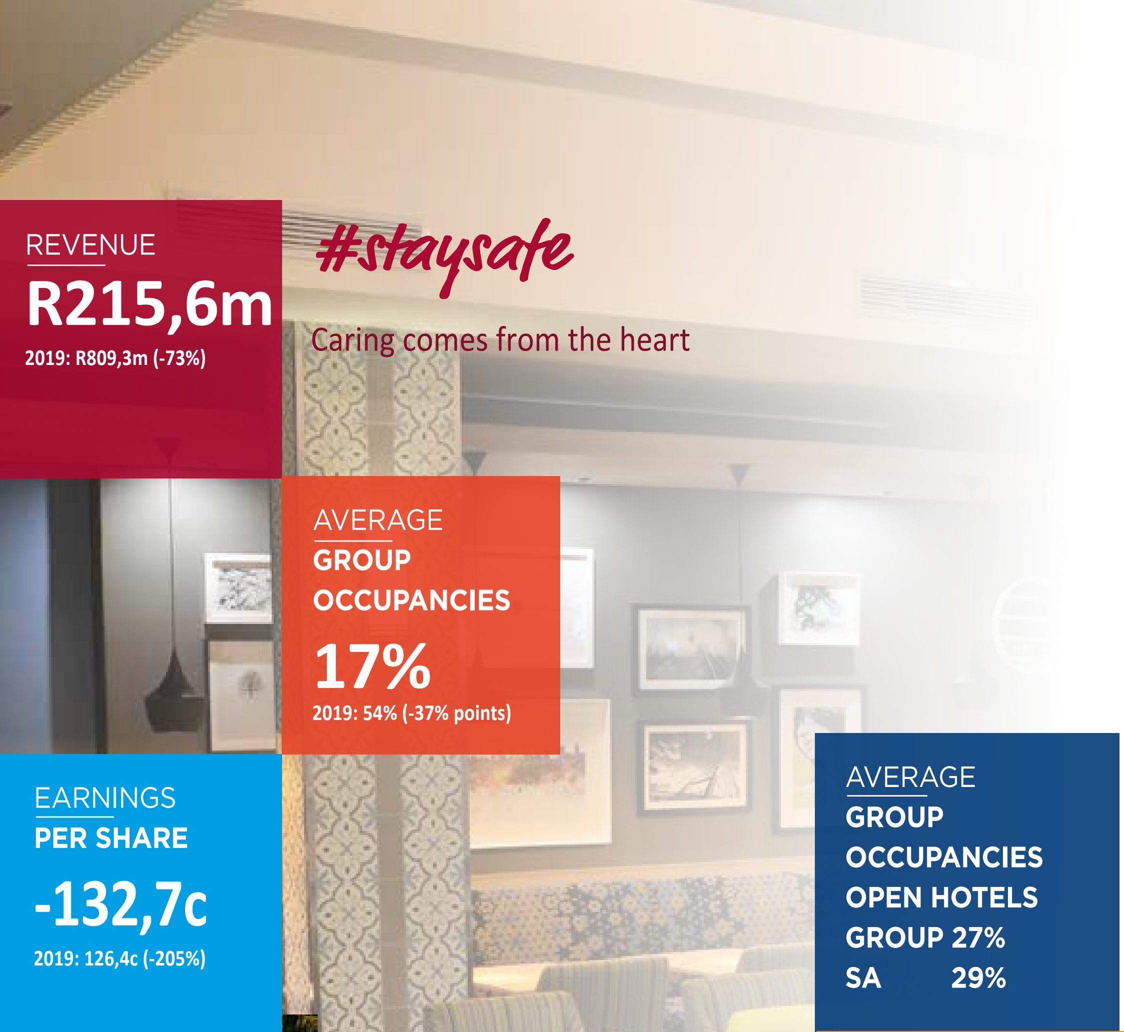
Safe travels



#staysafe

Caring comes from the heart

REVENUE
R215,6m
2019: R809,3m (-73%)

AVERAGE
GROUP OCCUPANCIES
17%
2019: 54% (-37% points)

EARNINGS
PER SHARE
-132,7c
2019: 126,4c (-205%)

AVERAGE
GROUP OCCUPANCIES OPEN HOTELS
GROUP 27%
SA 29%

NORMALISED
DILUTED HEADLINE EPS
-54,2c
2019: 184,8c (-129%)

DIVIDENDS
DECLARED PER SHARE
Nil
2019: 153,0c

COMMENTARY

FAIRVIEW A CITY LODGE GROUP HOTEL | COURTYARD HOTEL | CITY LODGE HOTEL | TOWN LODGE BY CITY LODGE HOTELS | ROAD LODGE BY CITY LODGE HOTELS

The nearly 12 months of the Covid-19 pandemic and the associated lockdown measures by governments across the world has had a devastating impact on individuals and economies. The industries worst affected by these measures have been travel and hospitality. These interim results reflect the continued challenges faced by the industry through prolonged lockdown measures and the impact of reduced travel confidence due to the uncertainty of further infection waves and subsequent lockdown measures to control the spread of infections.

The group has seen a steady improvement in occupancies since the last quarter of the 2020 financial year, which ended on 4% for the quarter, when almost all hotels were temporarily suspended of services, except for those hotels providing quarantine facilities to repatriated citizens, and essential and critical business continuity services. As South Africa progressed to the lockdown level 1 - Risk Adjusted Strategy (RAS) by September and domestic and eventually international travel restrictions eased, the group's occupancies gradually improved to 28% and 27% occupancies of the total inventory at all 62 hotels in November and December, respectively, and 35% and 34% of total available rooms at open hotels in November and December respectively. The group continues to review demand when assessing whether to reopen hotels and to date has 42 hotels open in South Africa and four hotels open in the rest of Africa, i.e. 74% of the hotels in its portfolio.

These challenges resulted in average occupancies of 17% for the group for the six months to 31 December 2020, a 37 percentage point decline compared to 54% in the previous financial period. In South Africa, where the group has the majority of its hotels, occupancies decreased from 57% in the previous financial year to 18%, and 29% based on open hotels.

Total revenue decreased by 73% to R215,6 million, while operating costs, excluding depreciation and amortisation, decreased by 34%, and by 48% excluding unrealised foreign exchange losses on intercompany loans. The operating cost reductions were mainly due to the cost containment measures put in place from April 2020, to mitigate the extent of the losses arising from minimal revenues.

Depreciation and amortisation on owned assets decreased by 4%, while depreciation on right-of-use assets decreased by 19%, mainly due to the impact of impairments recognised in the prior year. Interest expense rose by R3,0 million mainly due to interest expense on lease liabilities, offset by lower BEE preference dividends, due to the lower prime interest rates.

The group incurred a net loss after tax of R550,4 million (2019: profit of R46,3 million) which includes exceptional losses of R290,9 million (2019: Rnil), net of tax, related to the impairment of property, plant and equipment along with right-of-use assets of some hotels. This is primarily due to the impact of the Covid-19 pandemic and the prolonged lockdown measures and travel restrictions enforced by governments to control the spread of the virus. The additional impairments for the period are based on management's assessment of the extremely slow recovery of business and international leisure travel and tourism in East Africa. The hospitality industry is highly dependent on the North American and its European source markets which have been the worst impacted by the Covid-19 pandemic, and the second wave of infections has delayed any short-term recovery prospects.

Normalised headline earnings decreased by 399% to a loss of R240,6 million. Diluted and undiluted normalised HEPS decreased by 129% to a loss of 54.2 cents.

During the year City Lodge successfully raised proceeds of R1,2 billion through a fully subscribed rights offer which closed on 21 August 2020. The net proceeds of the rights offer has been used to repay a portion of amounts owing under its secured facilities and settlement of the company's guarantee of the BEE SPV's interest-bearing borrowings, preference shares and accrued interest and dividends totalling R764,5 million, as at 14 December 2020. The remaining funds have been utilised to improve liquidity and support the working capital requirements of the group during the Covid-19 pandemic.

The group has also secured access to a R700 million loan facility with the group's funders of which R170 million remains undrawn as at the end of December 2020, and secured a waiver of the original debt covenants for the June 2021 measurement period.

Development activity

South Africa

The directors and management are excited to open the new Courtyard Hotel Waterfall City, the group's 63rd hotel, on 1 March 2021. The new flagship of the Courtyard brand, which is located in the lively and vibrant Waterfall City in Midrand, marks a significant milestone in hotel design and development. It features the latest technological innovation, state-of-the-art conference facilities and a full culinary team preparing delectable cuisine.

The hotel will open initially with all restaurants, 100-seater conference centre, gym, co-meeting areas, 84 bedrooms and four suites, with the remaining floors and 80 rooms opening in phases during the next few months according to demand. The property is to receive a four-star Green Building Council SA certification that validates the sustainability initiatives implemented during the design, construction and procurement phase.

The Courtyard Hotel Rosebank refurbishment was completed in December 2020, ready to welcome guests to its reopening of the refreshed, eclectic and trendy rooms in January 2021.

All other pipeline developments have been put on hold due to the cash constraints resulting from the pandemic.

Strategic opportunities

East Africa

The board received an unsolicited non-binding approach for the proposed acquisition of City Lodge's East African operations, comprising of its four hotels situated in Kenya and Tanzania. The board is continuing negotiations on the proposed disposal.

Outlook

The second wave of infections and the return to lockdown adjusted Level 3 RAS in December 2020 has impacted the steady occupancy growth observed in the last quarter of 2020. January 2021 occupancy expectations were underwhelming due to some travel demand impediments in South Africa, as a result of the lockdown adjusted level 3 beach closures, curfews and alcohol restrictions. However, with the further easing of some of these lockdown measures in late January, and the drop in new infections, February occupancies have seen a steady improvement.

While we anticipate a slow recovery of the hospitality sector, we are encouraged that vaccination roll-out programmes across the world are gaining momentum. South Africa has recently begun its vaccination programme. These actions are expected to lead to improved travel confidence and boost the recovery of the sector.

The group has embraced the need to innovate and create a safer, healthier stay for all guests through its industry-leading hygiene and safety protocols, and the introduction of technology enhancements that reduce direct contact and touch, through the development of the web and App-based online check-in, online Covid-19 pre-screening, and QR code menu and service selection. We remain ready to warmly and safely welcome our guests.

#Welcomeback

STATEMENT OF COMPREHENSIVE INCOME

R000	Note	Six months ended 31 December 2020	% Change	Six months ended 31 December 2019	Audited Year ended 30 June 2020
Revenue		**215 605**	(73)	809 251	1 159 283
Other income		**647**		2 891	4 829
Administration and marketing costs		**(36 360)**		(55 761)	(97 314)
BEE transaction charges		**(7)**		(229)	(288)
Expected credit loss on trade and other receivables		**(796)**		(979)	(268)
Operating costs excluding depreciation and amortisation		**(310 772)**		(470 470)	(735 414)
		(131 683)	(146)	284 703	330 828
Depreciation and amortisation		**(61 916)**		(64 189)	(131 156)
Depreciation – right-of-use assets		**(39 380)**		(48 629)	(92 302)
Results from operating activities		**(232 979)**	(236)	171 885	107 370
Impairment loss on property, plant and equipment		**(269 603)**		–	(245 464)
Impairment loss on right-of-use assets		**(24 251)**		–	(242 889)
Interest income		**6 893**	286	1 786	2 480
Total interest expense		**(100 494)**	3	(97 436)	(204 212)
Interest expense		**(18 882)**		(15 627)	(34 569)
Interest expense – leases		**(62 984)**		(53 942)	(117 214)
BEE interest expense	2	**(1 417)**		(2 135)	(4 060)
BEE preference dividend	2	**(17 211)**		(25 732)	(48 369)
(Loss)/profit before taxation		**(620 434)**	(914)	76 235	(582 715)
Taxation		**70 051**		(29 957)	96 083
(Loss)/profit for the period		**(550 383)**	(1 289)	46 278	(486 632)
Other comprehensive income					
Items that are or may be reclassified to profit and loss					
Foreign currency translation differences		**(35 997)**		5 575	52 128
Total comprehensive income for the period		**(586 380)**	(1 231)	51 853	(434 504)
Basic earnings per share (cents)		**(132,7)**	(205)	126,4	(1 329,4)
Basic diluted earnings per share (cents)		**(132,7)**	(205)	126,4	(1 329,4)

STATEMENT OF **FINANCIAL POSITION**

R000	As at 31 December 2020	As at 31 December 2019	Audited Year ended 30 June 2020
ASSETS			
Non-current assets	**3 152 305**	4 027 567	3 617 316
Property, plant and equipment	**2 112 174**	2 673 048	2 509 752
Right-of-use assets	**913 148**	1 261 397	985 014
Intangible assets and goodwill	**54 128**	52 215	57 422
Investments	**800**	800	800
Other investments	**–**	6 624	7 900
Deferred taxation	**72 055**	33 483	56 428
Current assets	**216 343**	310 729	241 088
Inventories	**4 960**	7 340	5 540
Trade receivables	**22 242**	84 850	18 877
Other receivables	**128 617**	149 056	137 602
Taxation	**41 243**	19 077	42 756
Other investments	**6 620**	6 540	7 900
Cash and cash equivalents	**12 661**	43 866	28 413
Total assets	**3 368 648**	4 338 296	3 858 404
EQUITY			
Capital and reserves	**1 177 231**	1 107 520	568 316
Stated capital	**1 324 961**	179 503	179 503
Treasury shares	**(514 381)**	(514 381)	(514 381)
Retained earnings	**265 081**	1 301 709	712 683
Other reserves	**101 570**	140 689	190 511
LIABILITIES			
Non-current liabilities	**1 965 652**	3 012 846	2 260 101
Interest-bearing borrowings	**530 000**	660 000	750 000
BEE interest-bearing borrowings	**–**	44 120	–
BEE preference shares	**–**	353 000	–
BEE shareholder’s loan	**–**	50 000	–
BEE B preference share dividend accrual	**–**	337 220	–
Lease Liabilities	**1 350 520**	1 357 614	1 376 063
Deferred taxation	**85 132**	210 892	134 038
Current liabilities	**225 765**	217 930	1 029 987
Trade and other payables	**160 121**	173 006	170 336
Lease liabilities	**17 727**	20 303	12 377
BEE interest-bearing borrowings	**–**	–	44 120
BEE preference shares	**–**	–	349 300
BEE shareholder’s loan	**–**	–	50 000
BEE B preference share dividend accrual	**–**	–	356 416
Bank overdraft	**47 917**	24 621	47 438
Total liabilities	**2 191 417**	3 230 776	3 290 088
Total equity and liabilities	**3 368 648**	4 338 296	3 858 404

As at 31 December 2020, the directors had authorised a total of R105,4 million for maintenance and expansion capital items, of which R76,5 million is committed. R72,0 million of the committed capital expenditure has been contracted. Given the uncertainty created by the COVID-19 pandemic, the remaining R28,9 million of authorised spend has been put on hold.

SUMMARISED STATEMENT OF **CASH FLOWS**

R000	Six months ended 31 December 2020	Six months ended 31 December 2019	Audited Year ended 30 June 2020
Operating (loss)/profit before working capital changes	**(65 472)**	299 892	264 004
(Increase)/decrease in working capital	**(3 394)**	(67 989)	9 254
Cash (utilised)/generated by operations	**(68 866)**	231 903	273 258
Interest received	**6 893**	1 786	2 914
Interest paid	**(25 373)**	(41 322)	(77 114)
Interest paid – leases	**(62 984)**	(53 942)	(117 214)
Taxation paid	**1 312**	(33 770)	(37 529)
Dividends paid	**–**	(52 098)	(108 214)
Cash (outflow)/inflow from operating activities	**(149 018)**	52 557	(63 899)
Cash utilised in investing activities	**(30 828)**	(93 997)	(102 642)
– investment to maintain operations	**(1 345)**	(46 795)	(53 749)
– investment to expand operations	**(29 483)**	(47 202)	(49 035)
– proceeds on disposal of property, plant and equipment	**–**	–	142
Cash inflows/(outflows) from financing activities	**157 750**	(17 053)	66 355
– repayment of lease liability	**(4 966)**	(12 113)	(15 005)
– purchase of incentive scheme shares	**–**	(2 940)	(2 940)
– (decrease)/increase in interest-bearing borrowings	**(220 000)**	–	90 000
– settlement of guaranteed BEE liabilities	**(764 519)**	–	–
– redemption of BEE preference shares	**–**	(2 000)	(5 700)
– net proceeds from rights offer	**1 147 235**	–	–
Net decrease in cash and cash equivalents	**(22 096)**	(58 493)	(100 186)
Cash and cash equivalents at beginning of the period	**(19 025)**	71 046	71 046
Reclassification of other investments to cash and cash equivalents	**7 900**	6 577	6 577
Effect of movements in exchange rates on other investments	**1 280**	(91)	(2 727)
Effect of movements in exchange rates on cash held	**(3 315)**	206	6 265
Cash and cash equivalents at end of the period	**(35 256)**	19 245	(19 025)

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

STATEMENTS OF **CHANGES IN EQUITY**

R000	Stated capital	Treasury shares	Other reserves	Retained earnings	Total
Balance at 30 June 2019	179 503	(518 014)	137 683	1 307 529	1 106 701
Total comprehensive income for the period	–	–	5 575	46 278	51 853
Profit for the period				46 278	46 278
Other comprehensive income					
Foreign currency translation differences			5 575		5 575
Transactions with owners, recorded directly in equity	–	3 633	(2 569)	(52 098)	(51 034)
Incentive scheme shares		3 633	(6 573)		(2 940)
Share compensation reserve			4 004		4 004
Dividends paid				(52 098)	(52 098)
Balance at 31 December 2019	179 503	(514 381)	140 689	1 301 709	1 107 520
Total comprehensive income for the period	–	–	46 553	(532 910)	(486 357)
Profit for the period				(532 910)	(532 910)
Other comprehensive income					
Foreign currency translation differences			46 553		46 553
Transactions with owners, recorded directly in equity	–	–	3 269	(56 116)	(52 847)
Share compensation reserve			3 269		3 269
Dividends paid				(56 116)	(56 116)
Balance at 30 June 2020	179 503	(514 381)	190 511	712 683	568 316
Total comprehensive income for the period	**–**	**–**	**(35 997)**	**(550 383)**	**(586 380)**
Profit for the period				**(550 383)**	**(550 383)**
Other comprehensive income					
Foreign currency translation differences			**(35 997)**		**(35 997)**
Transactions with owners, recorded directly in equity	**1 145 458**	**–**	**(52 944)**	**102 781**	**1 195 295**
Issue of new ordinary shares	**1 145 458**				**1 145 458**
Reclassification of equity of portion of BEE shareholder's loan and BEE share-based payment reserve			**(52 781)**	**52 781**	**–**
Gain on waiver of BEE shareholder's loan				**50 000**	**50 000**
Share compensation reserve			**(163)**		**(163)**
Balance at 31 December 2020	**1 324 961**	**(514 381)**	**101 570**	**265 081**	**1 177 231**

SUPPLEMENTARY **FINANCIAL INFORMATION**

R000	Note	**Six months ended 31 December 2020**	% Change	Six months ended 31 December 2019	Audited Year ended 30 June 2020
1. Headline earnings reconciliation					
(Loss)/profit for the period		**(550 383)**		46 278	(486 632)
Profit on sale of property, plant and equipment		**–**		–	(6)
Impairment of property, plant and equipment and right-of-use assets		**293 854**		–	488 353
Taxation effect		**(2 927)**		–	(143 797)
Headline earnings		**(259 456)**	(661)	46 278	(142 082)
Total ordinary shares in issue		**610 035**		43 574	43 574
BEE shares held as treasury shares		**(35 394)**		(6 390)	(6 390)
10th Anniversary employee share trust shares treated as treasury shares		**(2 821)**		(507)	(507)
Net shares in issue		**571 820**		36 677	36 677
Weighted average number of shares in issue for EPS and HEPS calculation (000's)	3	**414 767**		36 599	36 606
Weighted average number of shares in issue for diluted EPS and HEPS calculation (000's)	3	**414 767**		36 619	36 606
Headline earnings per share (cents)					
– undiluted		**(62,6)**	(149)	126,4	(388,1)
– fully diluted		**(62,6)**	(149)	126,4	(388,1)

SUPPLEMENTARY
FINANCIAL INFORMATION CONTINUED

R000	Note	Six months ended 31 December 2020	% Change	Six months ended 31 December 2019	Audited Year ended 30 June 2020
2. Normalised headline earnings reconciliation					
Headline earnings		**(259 456)**		46 278	(142 082)
BEE transaction charges		**7**		229	288
BEE interest on interest-bearing borrowings		**1 417**		2 135	4 060
Preference dividends paid/payable by the BEE entities		**17 211**		25 732	48 369
10th anniversary employee share trust transaction charges and DWT		**–**		(244)	(37)
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		**161**		1 475	2 925
Pre-opening expenses write-off (net of tax)		**92**		4 834	7 688
Normalised headline earnings		**(240 568)**	(399)	80 439	(78 789)

R000	Note	Six months ended 31 December 2020	% Change	Six months ended 31 December 2019	Audited Year ended 30 June 2020
3. Weighted average number of shares (000's)					
Number of shares in issue for the EPS and HEPS calculation	1	**414 767**		36 599	36 606
BEE shares held as treasury shares		**26 882**		6 390	6 390
10th Anniversary employees share trust treated as treasury shares		**2 142**		507	507
Weighted average number of shares in issue for normalised HEPS calculation	4	**443 791**		43 496	43 503
Number of shares in issue for diluted EPS and HEPS calculation	1	**414 767**		36 619	36 606
BEE shares held as treasury shares		**26 882**		6 390	6 390
10th Anniversary employees share trust treated as treasury shares		**2 142**		507	507
Weighted average number of shares in issue for diluted normalised HEPS calculation	4	**443 791**		43 516	43 503
4. Normalised headline earnings per share (cents)*					
– undiluted		**(54,2)**	(129)	184,9	(181,1)
– fully diluted		**(54,2)**	(129)	184,8	(181,1)
5. Dividend declared per share (cents)		**–**		153,0	153,0

SUPPLEMENTARY **FINANCIAL INFORMATION** CONTINUED

R000	Note	**Six months ended 31 December 2020**	% Change	Six months ended 31 December 2019	Audited Year ended 30 June 2020
6. Net asset value per share (cents)					
– Net asset value per share		**206**		3 020	1 550
– Net tangible asset value per share		**196**		2 877	1 393
– Normalised net asset value per share		**206**		4 530	3 332
– Normalised replacement cost net asset value per share		**873**			
7. Normalised interest-bearing debt (excl. IFRS 16 *Leases*) or normalised equity (%)					
– calculated on a normalised basis		**45,9**		34,7	54,9
8. Return on average normalised equity (%)*					
– calculated on a normalised basis		**(14,6)**		9,4	(0,7)

NOTES TO THE **FINANCIAL STATEMENTS**

for the six months ended 31 December 2020

1. Basis of preparation for the condensed consolidated financial statements

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2020, have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

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

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

These condensed consolidated interim financial statements have been prepared under the supervision of Ms D Nathoo CA(SA), in her capacity as chief financial officer.

2. Significant judgements and estimates

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

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

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

In particular, in addition to information about impairments set out in note 4 and going concern set out in note 9, information about significant areas of estimation, uncertainty and critical judgements, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in relation to the following:

Measurement of share-based payments

Equity-settled share appreciation right scheme

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

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

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

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

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

Equity-settled 10th anniversary employee share plan

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

Measurement of deferred tax assets and liabilities

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date.

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

During the six months ended 31 December 2020, the group impaired property, plant and equipment by R269,6 million (2019: Rnil) and right-of-use assets by R24,3 million (2019: Rnil) due to the prolonged lockdown measures imposed by government to control the spread of Covid-19 infections. The slow recovery of the business and international leisure travel in East Africa is expected to continue for at least another 18 to 24 months, especially as the corporate and non-coastal hospitality in East Africa region is highly dependent on international travel from North America and Europe. These source markets have been the worst infected by the pandemic, and the recent surge in cases during the global second wave of infections is expected to further delay the already protracted recovery of international travel in the East Africa region.

The recoverable amount has been determined by calculating either the value in use using a discounted cash flow model (DCF) or fair value less costs to sell. The discount rate utilised in the valuation was 15,8% in the next financial year, reducing to a normalised level of 15,5% by 2023 for South African hotels and ranges between 8,0% and 19,1% for Rest of Africa hotels. Management assumed a gradual increase in occupancy. Cash flows for the remainder of 2021 will remain constrained with the group assumed to reach breakeven EBITDA levels in and around the last quarter of the 2021. Occupancy and trading levels are assumed to return to 2019 financial year levels in the 2023 financial year. The annual growth rate applied to cash flow forecasts for established hotels for the 2023 to 2025 financial years is 6%. The terminal growth rate applied is 4,5% for South African hotels and ranges between 4% and 6% for the Rest of Africa hotels. In the case of the East Africa hotels, the fair value less costs to sell was based on information available in the current depressed and challenging property sales market.

The carrying values of property, plant and equipment and right-of-use assets of the following geographical regions were impaired during the six months ended 31 December 2020.

	December 2020		
R'000s	Property, plant and equipment	Right-of-use assets	Total
South Africa	120	10 333	10 453
Rest of Africa	269 483	13 918	283 401
	269 603	24 251	293 854

The table below indicates the sensitivities of the aggregate impairments for the following change to assumptions:

	Increase	Decrease
5% change in the net cash flows	5 232	(10 619)
25bps change in the terminal growth rate	1 182	1 734
50bps change in the discount rate	(10 413)	5 970
5% change in the fair value less cost to sell values	26 832	(17 145)

4. Fair value measurements of financial instruments

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

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

5. Pro forma financial information

The supplementary financial information presented, excluding headline earnings and headline earnings per share, net asset value per share, net tangible asset value per share and dividends declared per share contains information presented on a normalised basis. This information is the responsibility of the company's directors and has been prepared for illustrative purposes only. The results do not take into account transactions in the BEE entities, share trust and any once-off transactions. The supplementary information may not fairly present the group's financial position, changes in equity, results of operations or cash flows.

6. Revenue

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

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

R'000s	**Six months ended 31 December 2020**	Six months ended 31 December 2019	Audited Year ended 30 June 2020
Accommodation	**186 641**	693 109	990 556
Food and beverage	**26 325**	109 531	154 316
Other revenue	**2 639**	6 611	14 411
	215 605	809 251	1 159 283
Primary geographical markets			
South Africa	**201 386**	731 334	1 047 348
Rest of Africa	**14 219**	77 917	111 935
	215 605	809 251	1 159 283

7. Subsequent events

The board received an unsolicited non-binding approach for the proposed acquisition of City Lodge's East African operations, comprising of its four hotels situated in Kenya and Tanzania. The board is in the advanced stages of negotiating the potential disposal.

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

8. Liquidity and funding

The group has assessed and implemented, various liquidity and capital measures to help ensure that the group's business can withstand the prolonged industry recovery period due to COVID-19 and to meet the liquidity, working capital and expenses requirements, including (among others):

- Continued strict cost containment measures, which include reduced salaries and suspension of contract workers.
- Securing an additional R200m credit facility from our lenders.
- Waiver of the original debt covenants for the June 2021 measurement period.
- Potential proceeds from the sale of the East Africa hotels.

9. Going concern

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2020 are prepared on the going concern basis. Based on the cash flow forecasts, funding facilities available and the cost containment measures the group has implemented since April 2020, management believes that the group has sufficient liquidity to meet its obligations and continue operations.

The group has incurred a net loss for the six months ended 31 December 2020 of R550,4 million (June 2020: R486,6 million) primarily due to minimal revenues earned following the outbreak of the Covid-19 pandemic and the associated lockdown, and impairment losses on property, plant and equipment and right-of-use assets of R290,9 million recognised, net of tax. As at 31 December 2020, the group has a net cash and cash equivalents overdraft of R35,3 million (June 2020: R19,0 million) , and the current liabilities exceeded its current assets by R9,4 million. The group has R530 million (June 2020: R750 million) of interest-bearing borrowings and access to R170 million in undrawn short-term facilities to meet its obligations as they become due. In addition, the group has secured the waiver of the original debt covenants for the June 2021 measurement period.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the Covid-19 pandemic on the group's operations and liquidity was considered. The board of directors has assessed the cash flow forecasts together with the other actions taken or proposed by management including the proceeds from the potential sale of the four East Africa hotels and is of the view that the group has sufficient liquidity to meet its obligations and counteract the expected losses that may result from the prolonged recovery from the Covid-19 pandemic.

10. Dividend

Having regard to the continued impact of the Covid-19 pandemic on the group's operations and the minimal revenue earned since the declaration of a national state of disaster in South Africa on 15 March 2020, the board has determined that no dividend shall be paid in respect of the period ended 31 December 2020, and does not intend to pay dividends in the short term. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

The JSE Link to the announcement is https://senspdf.jse.co.za/documents/2021/jse/isse/CLH/ie2020.pdf.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

26 February 2021

SEGMENT REPORT

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

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

Primary segment	City Lodge		Town Lodge		Road Lodge		Courtyard Hotel		Central office and other		Total	
R000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**109 120**	414 777	**28 344**	123 687	**58 621**	157 278	**5 301**	35 592	**14 219**	77 917	**215 605**	809 251
Results from operating activities	**(117)**	202 677	**(16 007)**	41 673	**3 479**	68 983	**(7 898)**	6 776	**(212 436)**	(148 224)	**(232 979)**	171 885
Depreciation and amortisation	**7 195**	10 906	**4 622**	4 598	**5 866**	5 688	**859**	1 735	**43 374**	41 262	**61 916**	64 189
Depreciation – leases	**–**	–	**–**	–	**–**	–	**–**	–	**39 380**	48 629	**39 380**	48 629
Adjusted EBITDA[(a)]	**7 078**	213 583	**(11 385)**	46 271	**9 345**	74 671	**(7 039)**	8 511	**(129 682)**	(58 333)	**(131 683)**	284 703
Land and hotel building rental[(b)]	**–**	–	**–**	–	**–**	–	**–**	–	**956**	4 032	**956**	4 032
Adjusted EBITDAR[(c)]	**7 078**	213 583	**(11 385)**	46 271	**9 345**	74 671	**(7 039)**	8 511	**(128 726)**	(54 301)	**(130 727)**	288 735

Geographic information	South Africa		Rest of Africa		Total	
	2020	2019	**2020**	2019	**2020**	2019
Revenue	**201 386**	731 334	**14 219**	77 917	**215 605**	809 251
Non-current assets – property, plant and equipment	**1 377 797**	1 457 604	**734 377**	1 215 444	**2 112 174**	2 673 048
Non-current assets – right-of-use assets	**829 514**	1 086 050	**83 634**	175 347	**913 148**	1 261 397

[(a)] Adjusted EBITDA represents earnings after BEE transaction charges but before interest, taxation, depreciation and amortisation and impairment charges. Adjusted EBITDA and adjusted EBITDAR excludes amounts relating to impairments amounting to R293,9 million which are recorded in the central office and other segment.

[(b)] Land and hotel building rental primarily reflects turnover-based rentals post-implementation of IFRS 16 Leases. However, prior to the adoption of IFRS 16 Leases, it included straight-lining of lease rentals from operating leases.

[(c)] Adjusted EBITDAR represents earnings after BEE transaction charges but before interest, taxation, depreciation and amortisation, impairment charges and rental.

ADMINISTRATION

City Lodge Hotels Limited
Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792
("City Lodge" or the "company" or the "group")

Registered office
The Lodge, Bryanston Gate Office Park, cnr. Homestead Avenue and Main Road, Bryanston, 2191

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

Transfer secretaries
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Company secretary
MC van Heerden

Sponsor
Nedbank Corporate and Investment Banking