CITY LODGE HOTELS

Condensed unaudited consolidated interim financial statements and cash dividend declaration

for the six months ended 31 December 2023

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CITY LODGE HOTELS

Highlights

REVENUE
R1.0bn
2022: R0.8bn ▲ 18%

GROUP OCCUPANCY
61%
2022: 57% ▲ 4 % points

EARNINGS PER SHARE (EPS)
18.8c
2022: 17.1c ▲ 10%

EPS
excl. business interruption receipts and unrealised foreign exchange losses/gains
20.0c
2022: 12.0c ▲ 66%

HEADLINE EARNINGS PER SHARE
18.8c
2022: 17.1c ▲ 10%

DIVIDENDS DECLARED PER SHARE
6c
2022: 5c ▲ 20%

PROFIT FOR THE PERIOD
R107m
2022: R98m ▲ 10%

FINANCIAL POSITION
Net cash R54.6m
2022: Net debt (R52.1m)

Commentary

It is heart-warming to compare a clear six-month period of pandemic-free operations, with a similar, Covid-19 restriction-free comparable period, as the last remaining restrictions were lifted on 22 June 2022 . The recovery in trading remained robust for the six months ended 31 December 2023, with the group achieving a four percentage points (pp) growth in occupancies to 61% compared to the prior period of 57%, and six pp above the same period to 31 December 2019. The new business strategies of best available rates (BAR) and the enhanced food and beverage offer have contributed to an 18% increase in total revenue for the six months, to R1.0 billion (2022: R0.8 billion).

The group is in a strong financial position which is reaffirmed by net cash of R54.6 million (2022: net debt of R52.1 million), and all outstanding borrowings have been settled (2022: R300.0 million) as at 31 December 2023. The group has access to R600.0 million in available debt facilities and a R115.0 million overdraft facility. The loan covenants have been met for all measurement periods during the reporting period.

The group remains confident in our strategy and the country's recovery as certainty and stability return to the operating environment. We are well positioned to capitalise on any opportunities and address the many challenges which arise.

FINANCIAL REVIEW

The revenue performance can be attributed to a 16% increase in accommodation revenue of R806.7 million (2022: R695.3 million) and a 36% increase in food and beverage revenue to R188.5 million (2022: R138.9 million). Rooms revenue growth has been achieved through the balancing of occupancy demand and average room rate (ARR). ARR has improved monthly and delivered an average increase of 9% for the six months, compared to the prior period. The food and beverage offer is garnering a loyal patronage as we establish ourselves in the market and now accounts for 19% (2022: 16%) of total revenue.

This improvement has been systematic with most hotels trading above pre-Covid-19 levels.

However, the outlook is obscured by the complexities of operating in the South African economy, which continues to face low GDP growth, high inflation, ongoing loadshedding, and most recently, the upcoming uncertainty of the elections. These negative influences have a direct impact on business and consumer confidence and sentiment.

Total operating costs (salaries and wages, property costs, food and beverage costs, rooms related costs and other operating costs) for the six months increased by 19% and by 11% per room sold, compared to the prior period. Our people are integral to our service delivery and salaries and wages accounts for 39% of the total operating costs, which increased by 18% due to salary increases, a normalisation of head count and the augmentation of the food and beverage service teams. Rising utility prices over the last year, have contributed to the 11% increase in property costs, however these have been partially offset by additional solar usage, and reduced diesel costs.

The volume increase in corporate travel bookings and the associated commissions and reservation costs have contributed to the increase of 21% to R110.5 million (2022: R91.0 million) in rooms related costs. Food and beverage gross profit margins have improved to 59% from 56% in the prior period. Food and beverage costs are variable in nature and have increased by 27% to R77.8 million (2022: R61.1 million).

Other operating costs increased by 20% to R142.4 million compared to R118.8 million in the prior period. The reinvigorated launch during October 2023, of the new City Lodge Hotels branding and payoff-line '*Life is hard. Check into* ***easy***' has won a number of awards and has connected with many South African's as it adds light and humour to our daily struggles. This reinvestment in marketing and promotional spend and the resumption of back-logged repairs and maintenance schedules have contributed to the other operating cost increases.

The group continues to maintain a strong culture of cost control, whilst balancing the need to invest and maintain the stated strategy of food and beverage growth, and maintaining our hotels in tip-top condition. As a result, the group generated an increase in EBITDAR (Earnings before interest, income tax, depreciation, amortisation, rent and exceptional items) of 3% for the period to R312.3 million (2022: R303.8 million), and an EBITDAR margin of 31.2% (2022: 35.8%). EBITDAR for the period, excluding Covid-19 business interruption receipts in the prior period, and unrealised foreign currency gains and losses increased by 19.4% to R319.1 million (2022: R267.3 million) and adjusted EBITDAR margin increased slightly to 31.8% (2022: 31.5%). EBITDAR was negatively impacted during the refurbishment of City Lodge Hotel V&A Waterfront during the six months under review as only 50% of the rooms were available.

The group has generated a 10% increase in profit for the period of R107.3 million (2022: R97.9 million), and earnings per share (EPS) of 18.8 cents (2022: 17.1 cents). EPS (excluding the business interruption receipts in the prior year and unrealised foreign exchange gains and losses) increased by 65.8% to 20.0 cents (2022: 12.0 cents).

Headline earnings per share is 18.8 cents per share, compared to 17.1 cents per share in the prior period.

CAPITAL ALLOCATION

In line with the group's strategy to return capital and value to our shareholders, the group acquired 0.3 million shares at an average price of R4.71 per share in December through the odd-lot offer. In addition, during November and December 2023, the group acquired a further 1.7 million shares at an average price of R4.44. The cost of the share repurchases totalled R9.0 million, and following cancellation of these shares in December 2023, the overall shares in issue net of treasury shares are 569.6 million. The group continues to buy back shares on a systematic basis, and has acquired a further 2.0 million shares to date in the third quarter of the financial year.

In addition, the group is buoyed by the recent positive results, debt-free balance sheet, the positive cash flow forecasts and the continued recovery of the hospitality sector. The board has declared an interim cash dividend of 6.00 cents per share (2022: 5.00 cents).

Commentary continued

The group is focused on generating the best value from its well equipped and optimally positioned portfolio of hotels, which enable us to deliver exceptional service and an ***easy*** and seamless experience to our guests. In order to do this the group has embarked on key refurbishments and sustainable and resilient energy and water solutions during the period:

- Phased refurbishment of rooms at City Lodge Hotel OR Tambo International Airport.
- Completed the major revamp of the 207-room City Lodge Hotel V&A Waterfront, which includes a complete renovation and refurbishment of the bedrooms. The refurbishment of the commercial area is due to commence in March 2024.
- Completed phase 2 of our solar installations in December 2023 bringing the total to 41 hotels with access to solar renewable energy, and a total generating capacity of 2.6MW or 16.3% of the group's energy requirements.
- Battery storage has been added to two hotels as part of a battery pilot program.
- The water supply resilience strategy has delivered a further three new boreholes and filtration plants bringing the total number of such installations to seven, and a further 14 filtration plants are planned to existing boreholes during the next 12 months.
- Point of sale devices were launched in July 2023 at all our restaurants which have improved service, processing of orders, guest satisfaction and up-selling revenue.

GOING CONCERN

The condensed unaudited consolidated interim financial statements are prepared on the going concern basis. Based on cash flow forecasts, available cash resources and debt facilities, the board of directors of City Lodge (board) believes that the group has sufficient resources to continue as a going concern in a responsible and sustainable manner.

DIRECTORATE

The group bid farewell to Mr. Stuart Morris who elected to retire from the board at the last Annual General Meeting held on the 23 November 2023, after 17 years of distinguished service.

The board and management of City Lodge wishes to express its sincere appreciation to Stuart for his dedicated service and leadership, commitment and valued contribution to the company and wish him well for the future.

OUTLOOK

The pending South African government elections has created uncertainty, and business and consumers are cautious with their budgets. January 2024 has had a slow start with group occupancies of 42% (January 2023 - 43%) and 59% up to 22 February 2024 with a strong projected finish to the end of the month (February 2023 - 59%). Average room rates however, have held the gains seen in the recent months. January and February 2024 ARR was on average 9% higher compared to the prior period. In addition, food and beverage revenues continue to outperform expectations with revenue up 12% and 18% in January and February 2024, respectively, compared to the prior periods.

Following the completion of Phase 2 of the group's sustainable, renewable energy initiative, together with the borehole and filtration plant roll-out, we look forward to more stable power supply and a reduction in electricity and municipal water usage.

The sale of the City Lodge Katherine Street property is still in progress. The due diligence has been concluded, however there are still a few conditions precedent to be fulfilled prior to transaction completion.

The pipeline of capital projects over the next six months will continue to deliver strategic reinvestment into key properties in the portfolio, to ensure that our value proposition continues to simplify, satisfy and exceed guest expectations, after all "*Life is hard. Check into* ***easy***".

DECLARATION OF DIVIDEND

The board has approved and declared an interim dividend (number 65) of 6.00 cents per ordinary share (gross) (2022: 5.00 cents) in respect of the six months ended 31 December 2023 .

The dividend will be subject to Dividend Tax. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Limited (Listings Requirements) the following additional information is disclosed:

- The dividend has been declared out of distributable reserves;
- The local Dividend Tax rate is 20% (twenty per centum);
- The gross local dividend amount is 6.00 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 4.80 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- The company currently has 605 880 112 ordinary shares in issue; and
- The company's income tax reference number is 9041001711.

Shareholders are advised of the following dates:

– Last date to trade cum dividend Tuesday, 12 March 2024
– Shares commence trading ex dividend Wednesday, 13 March 2024
– Record date Friday, 15 March 2024
– Payment of dividend Monday, 18 March 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2024 and Friday, 15 March 2024, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

23 February 2024

Condensed consolidated statement of financial position

R000	Notes	31 December 2023	31 December 2022	(Audited) 30 June 2023
Assets				
Non-current assets		**2 705 183**	2 604 331	2 732 330
Property, plant and equipment		**1 710 343**	1 560 694	1 687 829
Right-of-use assets		**962 827**	1 002 129	1 010 852
Intangible assets and goodwill		**21 322**	30 538	22 275
Investments		**800**	800	800
Deferred taxation	5	**9 891**	10 170	10 574
Current assets		**224 276**	439 467	489 019
Inventories		**7 833**	6 506	7 277
Trade receivables		**64 853**	73 229	65 783
Other receivables		**96 896**	111 855	87 474
Taxation receivable		**143**	–	140
Cash and cash equivalents		**54 551**	247 877	328 345
Total assets		**2 929 459**	3 043 798	3 221 349
Equity				
Capital and reserves		**1 168 571**	1 074 450	1 117 984
Stated capital	6	**1 315 694**	1 324 717	1 324 717
Treasury shares		**(512 807)**	(507 669)	(504 729)
Other reserves		**77 388**	67 817	71 283
Retained earnings		**288 296**	189 585	226 713
Liabilities				
Non-current liabilities		**1 467 655**	1 671 731	1 770 169
Interest-bearing borrowings	7	**–**	300 000	300 000
Lease liabilities	8	**1 393 216**	1 321 561	1 416 086
Provisions		**10 696**	9 696	10 696
Deferred taxation	5	**63 743**	40 474	43 387
Current liabilities		**293 233**	297 617	333 196
Taxation payable		**1 361**	2 993	2 622
Trade and other payables		**250 050**	252 952	294 085
Lease liabilities	8	**41 822**	41 672	36 489
Total liabilities		**1 760 888**	1 969 348	2 103 365
Total equity and liabilities		**2 929 459**	3 043 798	3 221 349

Condensed consolidated statement of comprehensive income

R000	Notes	Six months ended 31 December 2023	% change	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
Revenue	9	**1 002 532**	18	847 644	1 714 729
Other income [1]		**4 477**		30 895	36 412
Expected credit loss on trade receivables		**(121)**		(3 232)	(2 448)
Salaries and wages		**(271 808)**	18	(230 276)	(492 694)
Property costs		**(93 904)**	11	(84 445)	(170 978)
Food and beverage costs [2]		**(77 780)**	27	(61 150)	(124 798)
Rooms related costs[2]		**(110 471)**	21	(91 014)	(189 584)
Unrealised (losses)/gains on foreign exchange[2]		**(6 781)**		9 532	40 445
Other operating costs[2]		**(142 374)**	20	(118 777)	(268 772)
Depreciation and amortisation		**(35 630)**		(47 108)	(65 491)
Depreciation - right-of-use assets		**(47 502)**		(43 811)	(95 090)
Impairment reversal on property, plant and equipment		**-**		–	29 990
Impairment loss on right-of-use assets		**-**		–	(47 449)
Impairment loss on goodwill		**-**		–	(8 979)
Operating profit		**220 638**	6	208 258	355 293
Interest income		**2 849**		3 723	12 214
Interest expense		**(70 619)**		(73 157)	(148 426)
Profit before taxation		**152 868**	10	138 824	219 081
Taxation		**(45 600)**		(40 926)	(55 332)
Profit for the period		**107 268**	10	97 898	163 749
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences (non-taxable)		**1 031**		71	(359)
Total comprehensive income for the period		**108 299**	11	97 969	163 390
Basic earnings per share (cents)	12.1	**18.8**	10	17.1	28.6
Basic diluted earnings per share (cents)	12.1	**18.7**	10	17.0	28.6

1 Other income for the prior year, and comparable period includes the Covid-19 business interruption receipts of R27.0 million.

2 The comparative period has been re-presented to align with the presentation in the 30 June 2023 financial statements. Food and beverage costs was disclosed as a separate line due to the material increase in spend during the current year as a result of the increased food and beverage revenues. Rooms related costs and unrealised (losses)/gains on foreign exchange were re-presented and included as separate line items in the current year due to management's view that the inclusion of these items will provide more valuable information to the users of the financial statements. In the prior period, food and beverage costs of R61.1 million, rooms related costs of R91.0 million and unrealised gains on foreign exchange of R9.5 million were included within other operating costs.

Condensed consolidated statement of cash flows

R000	Notes	**Six months ended 31 December 2023**	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
Cash inflow from operating activities		**122 798**	181 046	356 096
Cash generated by operations	11	**265 928**	260 398	539 473
Interest received		**2 849**	3 723	12 214
Interest paid		**(10 035)**	(13 165)	(26 301)
Interest paid - leases	8	**(64 254)**	(59 961)	(118 578)
Taxation paid		**(26 005)**	(9 949)	(21 989)
Dividends paid		**(45 685)**	–	(28 723)
Cash (outflow)/inflow from investing activities		**(62 836)**	447 444	372 387
Investment to maintain operations		**(62 836)**	(11 329)	(97 375)
Investment to expand operations		**–**	(8 385)	(9 616)
Proceeds on disposal of East Africa operations		**–**	467 158	479 378
Cash outflow from financing activities		**(333 649)**	(321 372)	(341 323)
Capital repayment of lease liabilities	8	**(16 548)**	(16 535)	(35 571)
Purchase of incentive scheme shares		**(8 078)**	(4 837)	(5 752)
Repurchase of ordinary shares	6	**(9 023)**	–	–
Repayments of interest-bearing borrowings	7	**(300 000)**	(300 000)	(300 000)
Net (decrease)/increase in cash and cash equivalents		**(273 687)**	307 118	387 160
Cash and cash equivalents at the beginning of period		**328 345**	(59 347)	(59 347)
Effect of movements in exchange rates on cash held		**(107)**	106	532
Cash and cash equivalents at the end of period		**54 551**	247 877	328 345

Condensed consolidated statement of changes in equity

R000	Notes	Stated capital	Treasury shares	Other reserves	Retained earnings	Total
Balance as at 30 June 2022		1 324 717	(507 669)	66 546	91 687	975 281
Total comprehensive income for the period		–	–	71	97 898	97 969
Profit for the period		–	–	–	97 898	97 898
Foreign currency translation differences		–	–	71	–	71
Transactions with owners, recorded directly in equity		–	–	1 200	–	1 200
Incentive scheme shares	.	–	–	(4 837)	–	(4 837)
Share compensation reserve		–	–	6 037	–	6 037
Balance as at 31 December 2022		1 324 717	(507 669)	67 817	189 585	1 074 450
Total comprehensive income for the period		–	–	(430)	65 851	65 421
Profit for the period		–	–	–	65 851	65 851
Foreign currency translation differences		–	–	(430)	–	(430)
Transactions with owners, recorded directly in equity		–	2 940	3 896	(28 723)	(21 887)
Incentive scheme shares	.	–	2 940	(3 855)	–	(915)
Share compensation reserve		–	–	7 751	–	7 751
Dividends paid		–	–	–	(28 723)	(28 723)
Balance as at 30 June 2023		1 324 717	(504 729)	71 283	226 713	1 117 984
Total comprehensive income for the period		**–**	**–**	**1 031**	**107 268**	**108 299**
Profit for the period		**–**	**–**	**–**	**107 268**	**107 268**
Foreign currency translation differences		**–**	**–**	**1 031**	**–**	**1 031**
Transactions with owners, recorded directly in equity		**(9 023)**	**(8 078)**	**5 074**	**(45 685)**	**(57 712)**
Repurchase of ordinary shares		**(9 023)**	**–**	**–**	**–**	**(9 023)**
Incentive scheme shares		**–**	**(8 078)**	**–**	**–**	**(8 078)**
Share compensation reserve		**–**	**–**	**5 074**	**–**	**5 074**
Dividends paid		**–**	**–**	**–**	**(45 685)**	**(45 685)**
Balance as at 31 December 2023		**1 315 694**	**(512 807)**	**77 388**	**288 296**	**1 168 571**

1. Basis of preparation

The condensed unaudited consolidated interim financial statements for the for the six months ended 31 December 2023 are prepared in accordance with the requirements of the Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim 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 most recent audited 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 2023.

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2023 have been presented on the historical cost basis, and are presented in South African Rand, which is City Lodge's functional and presentation currency.

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

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2023 have not been audited or reviewed by the company's auditors, PricewaterhouseCoopers Inc.

2. Standards issued not yet effective

Management has reviewed accounting standards issued and not yet effective and these are not expected to have a material impact on the group.

3. Significant judgements and estimates

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

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. The estimates and associated assumptions are based on historical experience, consideration of market predictions at these unprecedented times and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Impairments

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

Impairments requires the significant areas of estimation, uncertainty and critical judgements, in applying accounting policies which have the most significant effect on the amounts recognised in the financial statements. Refer to note 4.

Measurement of deferred tax assets and liabilities

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date. Judgement is required in assessing whether deferred tax assets will be recovered through future profits. Refer to note 5.

4. Impairments

Management has assessed the group's goodwill, property, plant and equipment and right-of-use assets for impairment by reviewing the operating results which are marginally below the forecasted cash flows for the group, used to calculate value in use and fair value less cost of disposal in the prior year. Technical inputs considered include hotel occupancies, revenue growth, lower inflation, and a decrease in the 10-year bond yields and its associated impact on discount rates and terminal growth rates over the last six months. However, the conclusion reached based on these estimates, is that the marginally lower cash flows from current trading performance largely offset the decrease in discount rates.

Accordingly, management is of the view that the carrying values of goodwill, property, plant and equipment and right-of-use assets are fairly stated at 31 December 2023 and no additional impairments or impairment reversals are required. The impairment assessments of goodwill, property, plant and equipment, and right-of-use assets will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 31 December 2023

R000	31 December 2023	31 December 2022	(Audited) 30 June 2023
5. Deferred tax			
Movement in deferred taxation assets			
Opening balance	**10 574**	9 947	**9 947**
Charged to profit or loss	**(503)**	174	**210**
Foreign exchange movement	**(180)**	49	**417**
Closing balance	**9 891**	10 170	**10 574**
Movement in deferred taxation liabilities			
Opening balance	**43 387**	12 475	**12 475**
Charged to profit or loss	**20 356**	27 999	**30 912**
Closing balance	**63 743**	40 474	**43 387**

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

R000	31 December 2023	31 December 2022	(Audited) 30 June 2023
6. Stated capital			
Authorised - No par value shares			
Number of ordinary shares of no par value ('000)	**10 000 000**	10 000 000	10 000 000
Issued and fully paid - No par value shares			
Opening balance	**1 324 717**	1 324 717	1 324 717
Repurchase of ordinary shares	**(9 023)**	–	–
Closing balance	**1 315 694**	1 324 717	1 324 717
Reconciliation of number of shares in issue			
Opening balance	**609 859 502**	609 859 502	609 859 502
Repurchase of ordinary shares	**(2 004 698)**	–	–
Closing balance	**607 854 804**	609 859 502	609 859 502

The group acquired 314 698 shares at an average price of R4.71 per share in December through the odd-lot offer. In addition, during November and December 2023, the group acquired 1 690 000 shares at an average price of R4.44. The shares have been cancelled and reverted to authorised but unissued shares.

All unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting. The authority remains in force until the next annual general meeting.

R000	31 December 2023	31 December 2022	(Audited) 30 June 2023
7. Interest-bearing borrowings			
Loan Facility 1 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 1.95% and 2.35% based on covenants. Outstanding loan capital is repayable on 30 June 2025.	**–**	–	–
Loan Facility 2 is a revolver facility of R300 million in total and bears interest at the three-month JIBAR plus margins ranging between 2.10% and 2.50% based on covenants. Outstanding loan capital is repayable on 30 June 2026.	**–**	300 000	300 000
Loan Facility 3 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 2.20% and 2.70% based on covenants. Outstanding loan capital is repayable on 30 June 2027.	**–**	–	–
	–	300 000	300 000
Less: Amounts to be repaid within one year	**–**	–	–
Non-current liabilities	**–**	300 000	300 000
The movement in interest-bearing borrowings during the period is as follows:			
Balance at the beginning of the period	**300 000**	600 000	600 000
Borrowings repaid	**(300 000)**	(300 000)	(300 000)
Interest incurred	**6 360**	13 013	29 210
Interest paid	**(10 030)**	(12 982)	(25 663)
	(3 670)	300 031	303 547
Balance at the beginning of the period - interest	**3 670**	123	123
Interest accrued included in sundry accruals	**–**	(154)	(3 670)
Balance at the end of the period	**–**	300 000	300 000

The covenants for all measurement periods during the six months ended 31 December 2023 were met.

R000	31 December 2023	31 December 2022	(Audited) 30 June 2023
8. Lease liabilities			
Opening balance	**1 452 575**	1 374 558	1 374 558
Interest expense incurred	**64 254**	59 961	118 578
Capital lease payments	**(16 548)**	(16 535)	(35 571)
Interest payments	**(64 254)**	(59 961)	(118 578)
Remeasurements	**–**	4 877	111 170
Effects of movement in exchange rates	**(989)**	333	2 418
Closing balance	**1 435 038**	1 363 233	1 452 575
Lease liabilities recognised in the statement of financial position are analysed as:			
Non-current portion	**1 393 216**	1 321 561	1 416 086
Current portion	**41 822**	41 672	36 489
	1 435 038	1 363 233	1 452 575

9. Revenue

The group derives revenue at a point in time, together with its customer reward programmes, which are earned as they are redeemed or expire. The group has contract liabilities from income received in advance and the customer reward programmes, which are included within trade and other payables.

Revenue increased by 18% compared to the prior six month period. Revenue from accommodation increased by 16%, mainly due to the four percentage points increase in average group occupancies combined with the 9% increase in average room rates over the comparable period. Food and beverage revenue increased by 36% due to the improved take-up of the food and beverage offer at all hotels by both in-house and meal only guests.

Disaggregation of the revenue from contracts with customers for the period under review:

R000	**Six months ended 31 December 2023**	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
Accommodation	**806 659**	695 335	1 402 171
Food and beverage	**188 525**	138 874	298 873
Other revenue[1]	**7 348**	13 435	13 685
	1 002 532	847 644	1 714 729

[1] Other revenue comprises conferencing, boardroom hire and miscellaneous revenue.

R000	**Accommodation revenue**	**Food and beverage revenue**	**Other revenue**	**Total**
Primary geographic markets				
Six months ended 31 December 2023				
South Africa	**771 368**	**178 835**	**7 102**	**957 305**
Rest of Africa	**35 291**	**9 690**	**246**	**45 227**
	806 659	**188 525**	**7 348**	**1 002 532**
Six months ended 31 December 2022				
South Africa	667 928	133 853	13 187	814 968
Rest of Africa	27 407	5 021	248	32 676
	695 335	138 874	13 435	847 644
Year ended 30 June 2023 (Audited)				
South Africa	1 342 915	287 786	13 149	1 643 850
Rest of Africa	59 256	11 087	536	70 879
	1 402 171	298 873	13 685	1 714 729

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 31 December 2023

R000	**Six months ended 31 December 2023**	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
10. Reconciliation of operating profit to EBITDAR[1]			
EBITDAR is made up as follows:			
Operating profit	**220 638**	208 258	355 293
Depreciation and amortisation	**35 630**	47 108	65 491
Depreciation - right-of-use assets	**47 502**	43 811	95 090
Variable lease payments	**8 535**	4 624	13 964
	312 305	303 801	529 838
Add/less: Exceptional[2] losses/(gains)			
Impairment reversal on property, plant and equipment	**–**	–	(29 990)
Impairment loss on right-of-use assets	**–**	–	47 449
Impairment loss on goodwill	**–**	–	8 979
EBITDAR	**312 305**	303 801	556 276

[1] The group defines EBITDAR as earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 Rent Adjustment, and exceptional items. EBITDAR is used by the group as measure of earnings from normal day-to-day operations.

[2] Exceptional items are considered to be those that are not within the normal day-to-day operations of the business and sufficiently material or unusual that they would distort the numbers if they were not adjusted. This would include headline adjustments.

R000	**Six months ended 31 December 2023**	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
11. Note to the statement of cash flows			
Cash generated by operations			
Profit before taxation	**152 868**	138 824	219 081
Adjusted for:			
– depreciation and amortisation	**35 630**	47 108	65 491
– depreciation – right-of-use asset	**47 502**	43 811	95 090
– impairment reversal on property, plant and equipment	**–**	–	(29 990)
– impairment loss on right-of-use assets	**–**	–	47 449
– impairment loss on goodwill	**–**	–	8 979
– interest income	**(2 849)**	(3 723)	(12 214)
– interest expense	**6 365**	13 196	29 848
– interest expense - leases	**64 254**	59 961	118 578
– profit on disposal of property, plant and equipment	**–**	–	(210)
– share-based payment expense	**5 074**	6 037	13 788
– unrealised foreign currency losses/(gains)	**6 497**	(8 038)	(37 092)
– other non-cash items	**–**	1 000	(263)
Operating cash flows before working capital changes	**315 341**	298 176	518 535
Increase in inventories	**(556)**	(1 463)	(2 234)
Increase in trade and other receivables	**(8 492)**	(44 114)	(22 244)
(Decrease)/increase in trade and other payables	**(40 365)**	7 799	45 416
	265 928	260 398	539 473

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 31 December 2023

R000	**Six months ended 31 December 2023**	Six months ended 31 December 2022	(Audited) Year ended 30 June 2023
12. Headline earnings			
12.1 Headline earnings reconciliation			
Profit used to calculate basic and diluted earnings per share (EPS)	**107 268**	97 898	163 749
Profit on disposal of property, plant and equipment	**–**	–	(210)
Impairment reversal on property, plant and equipment	**–**	–	(33 833)
- South Africa	**–**	–	10 390
- Rest of Africa	**–**	–	(44 223)
Impairment loss on right-of-use assets	**–**	–	34 638
Impairment loss on goodwill	**–**	–	8 979
Headline earnings	**107 268**	97 898	173 323
Basic earnings per share (cents) (EPS)			
– undiluted	**18.8**	17.1	28.6
– diluted	**18.7**	17.0	28.6
Headline earnings per share (cents) (HEPS)			
– undiluted	**18.8**	17.1	30.3
– diluted	**18.7**	17.0	30.3
12.2 Share statistics			
Total shares in issue less treasury shares ('000)	**569 639**	571 644	571 644
Undiluted weighted number of shares ('000)	**570 490**	571 644	571 644
Diluted weighted number of shares ('000)	**572 562**	574 482	572 876
Net book asset value per share[1]	**206**	188	196

[1] Net asset value per share represents capital and reserves expressed as a percentage of net shares in issue. This is a non-GAAP measure and has been consistently applied from one year to the next.

13. Segment analysis

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

The standard requires a 'management approach' whereby segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker(s) (CODM) who have been identified as the group's executive directors. The CODM review the group's internal reporting by hotel brand in order to assess performance and allocate resources.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The CODM assesses the performance of the operating segments based on EBITDAR (earnings before interest, income tax, depreciation, amortisation, rent and exceptional items). The measure also excludes all headline earning adjustments and impairments. Finance income and finance costs are not included in the results for each operating segment, as the cash and debt position is managed at a group level.

The CODM considers the business from both a hotel brand and geographical basis. The following are the six reportable segments identified and monitored by the CODM:

- Courtyard Hotels is the group's luxury brand comprising five hotels;
- City Lodge Hotels is the group's upper mid-scale brand comprising of 18 hotels;
- Town Lodge is the group's mid-scale brand comprising of 10 hotels;
- Road Lodge is the group's economy brand comprising of 23 hotels;
- Rest of Africa consists of the group's non-South African hotels division which owns, operates and manages hotels in Botswana, Mozambique and Namibia; and
- Central Office consists of the group's management division which manages all the hotels.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 31 December 2023

13. Segment analysis continued

Six months ended 31 December 2023				Material expenses included in EBITDAR			
R000	Revenue[1]	EBITDAR[2]	EBITDAR margin (%)	Salaries and wages	Property costs	Food and beverage costs	Rooms related costs
South Africa	**957 305**	**376 502**	**39.3**	**(223 299)**	**(91 079)**	**(74 187)**	**(105 828)**
Courtyard Hotel	**84 994**	**24 893**	**29.3**	**(22 626)**	**(9 131)**	**(8 773)**	**(9 991)**
City Lodge Hotel	**512 390**	**224 745**	**43.9**	**(112 090)**	**(44 608)**	**(37 761)**	**(56 991)**
Town Lodge	**159 433**	**53 114**	**33.3**	**(41 705)**	**(15 572)**	**(14 455)**	**(18 676)**
Road Lodge	**200 488**	**73 750**	**36.8**	**(46 878)**	**(21 768)**	**(13 198)**	**(20 170)**
Rest of Africa[3]	**45 227**	**6 894**	**15.2**	**(11 801)**	**(2 584)**	**(3 593)**	**(4 643)**
Central Office	**–**	**(71 091)**		**(36 708)**	**(241)**	**–**	**–**
	1 002 532	**312 305**	**31.2**	**(271 808)**	**(93 904)**	**(77 780)**	**(110 471)**
Six months ended 31 December 2022							
South Africa	814 968	327 280	40.2	(188 083)	(82 239)	(58 958)	(87 289)
Courtyard Hotel	61 060	15 597	25.5	(17 715)	(7 747)	(6 715)	(6 486)
City Lodge Hotel	454 352	206 651	45.5	(94 859)	(39 886)	(31 886)	(49 936)
Town Lodge	134 259	45 620	34.0	(34 877)	(13 633)	(11 277)	(16 052)
Road Lodge	165 297	59 412	35.9	(40 632)	(20 973)	(9 080)	(14 815)
Rest of Africa[3]	32 676	14 680	44.9	(9 501)	(2 206)	(2 192)	(3 725)
Central Office	–	(38 159)		(32 692)	–	–	–
	847 644	303 801	35.8	(230 276)	(84 445)	(61 150)	(91 014)

[1] All revenue and income from hotel operations are derived from external customers. No one customer contributes more than 10% to the group's total revenue.

[2] Refer to reconciliation of operation profit to EBITDAR in note 10.

[3] EBITDAR for Rest of Africa includes unrealised foreign currency loss of R6.8 million (2022: unrealised foreign currency gain of R9.5 million million).

Geographical information

	South Africa		Rest of Africa		Total	
R000	**Six months ended 31 December 2023**	Six months ended 31 December 2022	**Six months ended 31 December 2023**	Six months ended 31 December 2022	**Six months ended 31 December 2023**	Six months ended 31 December 2022
Property, plant and equipment	**1 333 857**	1 244 492	**376 486**	316 202	**1 710 343**	1 560 694
Right-of-use assets	**884 393**	911 501	**78 434**	90 628	**962 827**	1 002 129

14. Related parties

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

15. Capital commitments

As at 31 December 2023, the group spent R62.8 million on expansionary and maintenance capex for the six months. The group has planned capital spend of R195.9 million for the remainder of the financial year, of which R71.7 million is committed. The majority of the remaining capital expenditure relates to the completion of the commercial area at City Lodge Hotel V&A Waterfront, major refurbishment projects at Town Lodge Bellville, Road Lodge Durban and Road Lodge N1 City, and the sustainable water supply borehole installations.

16. Contingent liabilities

The group has no significant contingent liabilities as at 31 December 2023.

17. Subsequent events

The group has repurchased and cancelled an additional 2.0 million shares at an average price of R4.74 since the beginning of the new calendar year.

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

18. Liquidity and funding

The group has secured facilities with its lenders, which provides total undrawn debt facilities of R600.0 million, and overdraft facilities of R115.0 million. The loan facilities package offers:

- Revolver debt facilities maturing between June 2025 and June 2027.
- Additional access to R300.0 million accordion facilities which has been included in the loan agreements, but is subject to the funder's credit committee approval on application.

The group has operating cash flows of R122.8 million (2022: R181.0 million) and continues to generate positive cash flows to continue the planned reinvestment in the group's capital refurbishment programme and declare returns to its shareholders through dividends.

19. Going concern

The condensed consolidated interim financial statements for the six months ended 31 December 2023 are prepared on a going concern basis. Based on cash flow forecasts, which considered the pressures from global economic forces, high inflation, and the additional costs of load shedding and ageing water infrastructure on operations; and cash and funding resources available, the directors believe that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

The group has made a profit for the six months ended 31 December 2023 of R107.3 million (2022: profit of R97.9 million). As at 31 December 2023, the group has a net cash and cash equivalent of R54.6 million (2022: R247.9 million). Current liabilities exceed its current assets by R69.0 million (2022: Current assets exceed current liabilities by R141.9 million).

All covenants during the measurement periods have been met during the year. The group monitors the covenants on an ongoing basis and does not expect to breach covenants.

Administration

CITY LODGE HOTELS LIMITED

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

REGISTERED OFFICE

The Lodge, Bryanston Gate Office Park
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DIRECTORS

B T Ngcuka (Chairman), A C Widegger (Chief executive officer)*,
S J Enderle#, G G Huysamer, F W J Kilbourn (Deputy chairman), A R Lapping,
M S P Marutlulle, N Medupe, M G Mokoka, D Nathoo (Chief financial officer)*, L G Siddo (Chief operating officer)*
*Executive # South African and Swiss

TRANSFER SECRETARIES

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COMPANY SECRETARY

M C van Heerden

SPONSOR

Nedbank Corporate and Investment Banking, a division of Nedbank Limited