CITY LODGE HOTEL GROUP

INTEGRATED REPORT **2015**

Thirty years
OF EXCELLENCE

FORWARD LOOKING STATEMENT

Certain statements in this document may constitute "forward looking statements". Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of City Lodge Hotels Limited and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the group's auditors.

STATEMENT OF THE BOARD OF DIRECTORS ON THE 2015 INTEGRATED REPORT

On the basis of the recommendations from the auditors KPMG Inc., the audit committee provides assurance on the annual financial statements. The board acknowledges its responsibility to ensure the integrity of the IR. The board has applied its mind to the IR and believes that it addresses all material issues and presents fairly the integrated performance of the organisation and its impacts in accordance with the principles set out in the International Integrated Reporting Framework.

The IR has been prepared in line with best practice and the recommendations of King III.

The IR was approved by the board on 4 September 2015 and is signed on its behalf by:

B T Ngcuka
Chairman

C Ross
Chief executive

ICONS USED IN THIS REPORT

Consolidation

Africa expansion

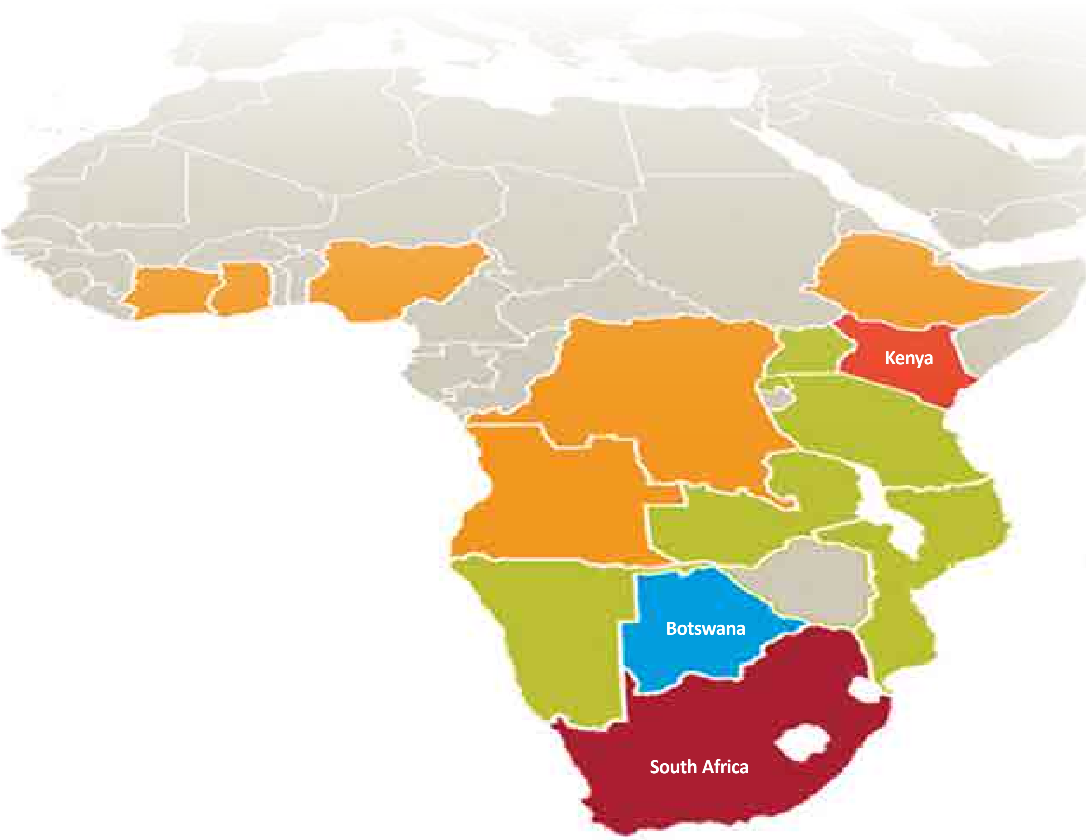
Transformation

Environmental sustainability

Information technology

Brand identity

WHERE WE OPERATE AND AIM TO EXPAND TO



www.clhg.com

REPORTING PRINCIPLES

The City Lodge Hotel Group is guided by the principles, with regards to our Integrated Report, contained in the following:

- **Integrated reporting:**
  - **IIRC <IR> Framework**
  - **South African Companies Act**
  - **King Report on Corporate Governance 2009 ("King III")**
  - **Where applicable we apply the Global Reporting Initiatives ("GRI") guidelines.**
- **Financial reporting:**
  - **International Financial Reporting Standards**
  - **South African Companies Act.**

INTEGRATED REPORTING

This is our fifth Integrated Report ("IR") in line with the requirements of King III. Each year we attempt to improve on the previous year's report, using feedback obtained from our stakeholders, the input of reporting experts and an internal review process that highlights opportunities for improvement in the reporting process.

We hope that this IR gives you a better understanding of our business. We remain committed to improving on this report and would appreciate your feedback in this regard – any comments can be emailed to Alastair Dooley at adooley@clhg.com.

SCOPE AND BOUNDARY

City Lodge Hotels Limited's IR is released at least 15 business days prior to its AGM. This report covers the financial year from 1 July 2014 to 30 June 2015. The previous IR was published in 2014 and covered the period 1 July 2013 to 30 June 2014. The scope of this year's report includes all of our operations in South Africa, Kenya and Botswana totalling 55 hotels. This IR provides a general narrative on the performance of the group's business across our five hotel brands. All City, Town and Road Lodge brands, as well as three Courtyard Hotels and the Fairview Hotel, are wholly owned by the group, while the remaining Courtyard Hotels are proportionally consolidated following the acquisition of the remaining share in the Share Block companies.

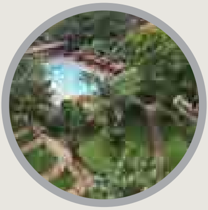
This report is consistent with the prior year and is compiled annually. There are no restatements from the prior year.

This report has been prepared primarily for the providers of financial capital in order to support their financial capital allocation assessments, although information relevant to other stakeholders has also been included. The 2014 report was made available to shareholders on 5 September 2014.

Included in the report are the group's consolidated annual financial statements.

OUR POWERFUL BRANDS SPREADING THROUGHOUT AFRICA

UPSCALE



FAIRVIEW
A CITY LODGE GROUP HOTEL

TRAVELLERS OASIS . . .

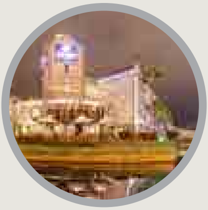
1 HOTEL ➤ 127 ROOMS

COURTYARD
HOTEL

DISTINCT ATMOSPHERE OF ELEGANCE AND CHARM . . .

5 HOTELS ➤ 381 ROOMS

MIDSCALE



CITY LODGE
HOTEL

COMFORTABLE WORLD-CLASS ACCOMMODATION . . .

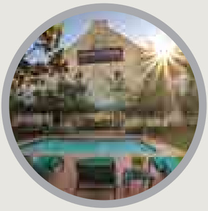
16 HOTELS ➤ 2 854 ROOMS

ECONOMY

TOWN LODGE
BY CITY LODGE HOTELS

HOMELY ATMOSPHERE WITH STYLISH DECOR . . .

12 HOTELS ➤ 1 503 ROOMS



ROAD LODGE
BY CITY LODGE HOTELS

UNBELIEVABLE COZINESS AND VALUE-FOR-MONEY . . .

21 HOTELS ➤ 1 969 ROOMS

CONTENTS

COMPANY PROFILE

BUSINESS REVIEW

FINANCIAL STATEMENTS

26 hotels
South Africa
Gauteng

Johannesburg:	Pretoria:
Courtyard City Lodge Town Lodge Road Lodge	Courtyard City Lodge Town Lodge Road Lodge

7 hotels
South Africa
Western Cape

Cape Town:	George:
City Lodge Town Lodge Road Lodge	Town Lodge

6 hotels
South Africa
Eastern Cape

East London:	Port Elizabeth:
Road Lodge	Courtyard City Lodge Town Lodge Road Lodge

5 hotels
South Africa
KwaZulu-Natal

Durban:	Richards Bay:
City Lodge Road Lodge	Road Lodge

2 hotels
South Africa
Free State

Bloemfontein:

City Lodge
Road Lodge

2 hotels
South Africa
Mpumalanga

Nelspruit:

Town Lodge
Road Lodge

2 hotels
South Africa
North West

Potchefstroom:	Rustenburg:
Road Lodge	Road Lodge

1 hotel
South Africa
Limpopo

Polokwane:

Town Lodge

1 hotel
South Africa
Northern Cape

Kimberley:

Road Lodge

1 hotel
Beyond South Africa
Botswana

Gaborone:

Town Lodge

2 hotels
Beyond South Africa
Kenya

Nairobi:

Fairview Hotel
Town Lodge

2 hotels
Where we are expanding to
South Africa

Johannesburg:	Pietermaritzburg:
City Lodge	Road Lodge

2 hotels
Where we are expanding to
Beyond South Africa

Nairobi:	Dar es Salaam:
City Lodge	City Lodge

Where we aim to expand to in the near future

- Mozambique
- Namibia
- Rwanda
- Uganda
- Zambia

Where we aim to expand to in the medium to long term

- Angola
- Ethiopia
- Ghana
- Ivory Coast
- Nigeria

OUR VISION

We will be recognised as the **preferred sub-Saharan African hotel group**.

Through **dedicated leadership, teamwork and kindness**, we will demonstrate our **consistent commitment to delivering caring service with style and grace**.

We will constantly enhance our **guests' experience** through our **passionate people, ongoing innovation** and **leading-edge technology**.

Our **integrity, values** and **ongoing investment** in our **people** and **hotels** will provide **exceptional returns** to **stakeholders** and **ensure continued, sustainable growth**.

Through **acts of kindness** we will make a **positive difference** to our **guests**, our **colleagues**, our **communities** and our **environment**.

The City Lodge Hotel Group is a **multi-brand chain** offering a variety of locations, features and budget choices to **business** and **leisure travellers.**

Commitment to **service excellence** from **highly motivated** and **dedicated staff** is a common thread throughout the group's hotels, which have developed a loyal base of regular guests over the years and an ever-growing number of new guests.

We place emphasis on providing **quality accommodation, friendly service** and a **homely ambience** – core reasons why guests choose our hotels.

The group has five distinct brands, currently offering **6 834 rooms**, at **55 locations** throughout **southern** and **eastern Africa**.

OUR STRATEGY

1	To **consolidate our position** within South Africa.
2	To **expand our footprint** beyond South Africa's borders.
3	To continue to **transform the group** in line with B-BBEE Codes of Good Practice.
4	To be a **leader within the hospitality sector** in environmentally sustainable business practices.
5	To **maintain** and **implement an innovative technology platform**.
6	To **continue embedding our refreshed brands** and realise growing benefits from moving from an umbrella to a channel marketing strategy.

WHERE WE COME FROM AND OUR ACCOLADES

Bronze level from Investors in People.

2014 ***Sunday Times*** **Top 150 Company.**

1985

City Lodge Randburg (now Bryanston), the first select services hotel in South Africa, opens its doors to the public.

1990

Town Lodge, a new brand and differentiated two-star offering is added to the portfolio.

1992

City Lodge Hotels Limited **successfully listed on the JSE.**

1995

City Lodge 10th Anniversary **Employees Share Trust** was launched which enabled employees to become shareholders.

Road Lodge, a one-star brand and **Courtyard**, a four-star brand offering, are added to the portfolio.

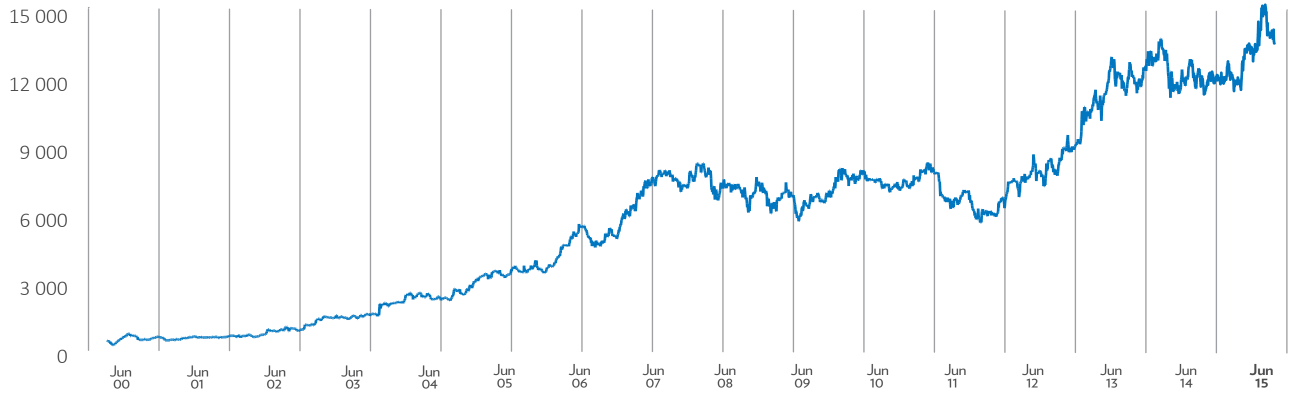
2008

Successful introduction of **BEE shareholders** through a structured deal.

2010	2012	2013	2014	2015
The group adds its **50th hotel** to its ever-growing portfolio.	Acquisition of **50% interest in Fairview Hotel Limited**, Kenya.	**Town Lodge Gaborone opens,** being our first hotel to be developed outside South Africa.	Acquisition of remaining 50% interest in **Fairview Hotel Limited,** Kenya. **Rejuvenation** of hotel brands.	Our **30th** Anniversary. Acquisition of remaining **50%** interest in **Courtyard Hotels.**

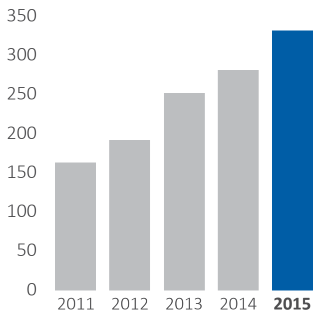
Revenue from 2014: R1 062,7 m	R1 303,1 m
Normalised cash generated by operations from 2014: R440,9 m	R530,0 m
Capital investment from 2014: R91,1 m	R209,4 m
Normalised net asset value per share from 2014: 2 865 c	3 322 c
Normalised EBITDA from 2014: R438,2 m	R547,1 m
Normalised headline earnings from 2014: R281,6 m	R332,1 m
Normalised operating profit from 2014: R359,8 m	R460,7 m
Diluted normalised headline earnings per share from 2014: 643,1 c	759,9 c

STOCK EXCHANGE PERFORMANCE – ORDINARY SHARE PRICE
(Cents)

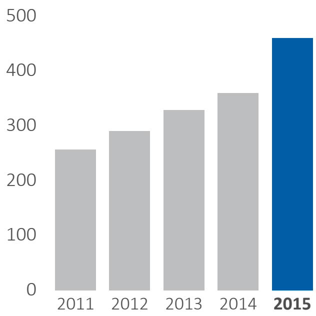


Dividends per share from 2014: 391,0 c	460,0 c
Customer satisfaction rating from 2014: 85%	85%
South African occupancy percentage from 2014: 63%	67%
Carbon footprint from 2014: 33 044 t	29 600 t
BEE rating in terms of tourism scorecard from 2014: level 3	level 3
Total number of jobs created from 2014: 1 825	1 866

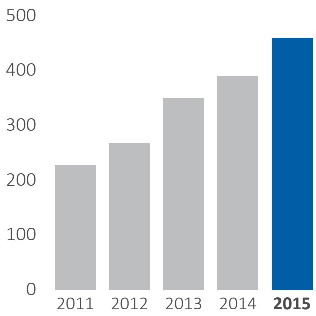
NORMALISED HEADLINE EARNINGS
(R million)



NORMALISED OPERATING PROFIT
(R million)



DIVIDENDS PER SHARE
(Cents)



VALUE-ADDED STATEMENT

21%
providers of capital

25%
employees

24%
reinvested to maintain/
develop operations

30%
government

	Group			
R000	2015	%	2014	%
Revenue[1]	**1 487 245**		1 212 474	
Paid to suppliers for materials and services[1]	**(459 599)**		(376 768)	
Value added by operations	**1 027 646**		835 706	
Interest income	**4 751**		5 210	
Income from joint venture	**1 618**		21 327	
Total wealth created	**1 034 015**	**100**	862 243	100
Distributed as follows:				
Salaries, wages and all related benefits[2]				
– direct	**220 321**		174 272	
– indirect	**36 620**		31 324	
	256 941	**25**	205 596	24
Government				
Taxes[3]	**274 820**		223 616	
Rates	**34 361**		26 790	
	309 181	**30**	250 406	29
Providers of capital				
Dividends to ordinary shareholders	**154 196**		138 546	
Interest on borrowings	**63 251**		50 349	
	217 447	**21**	188 895	22
Reinvested to develop/maintain operations				
Depreciation	**86 380**		78 421	
Accumulated profit	**164 066**		138 925	
	250 446	**24**	217 346	25
Total wealth distributed	**1 034 015**	**100**	862 243	100
Headcount – direct	**1 410**		1 376	
Headcount – indirect	**456**		449	
Total headcount	**1 866**		1 825	

[1] *Including value added taxation ("VAT").*
[2] *Excluding employee taxes.*
[3] *Includes income taxation, deferred taxation, employee taxes and net VAT.*

OUR GROUP STRUCTURE AT 30 JUNE 2015

C L H G

70%
ANCHOR PARK INVESTMENTS 105
Proprietary Limited
RSA

100%
BUDGET HOTELS
Proprietary Limited
RSA

100%
CITY LODGE HOTELS (BOTSWANA)
Proprietary Limited
BOTSWANA

100%
COURTYARD MANAGEMENT COMPANY
Proprietary Limited
RSA

100%
FAIRVIEW HOTEL
Limited
KENYA

100%
PROPERTY LODGING INVESTMENTS
Proprietary Limited
RSA

100%
CITY LODGE HOLDINGS
(Share Block)
Proprietary Limited
RSA*

Vuwa Hotels Proprietary Limited#
Newshelf 935 Proprietary Limited#
Newshelf 892 Proprietary Limited#

100%
GALLIC COURTYARD (ARCADIA)
(Share Block)
Proprietary Limited
RSA

100%
GALLIC COURTYARD (BRUMA LAKE)
(Share Block)
Proprietary Limited
RSA

100%
GALLIC COURTYARD (ROSEBANK)
(Share Block) Limited
RSA

100%
GALLIC COURTYARD (SANDOWN)
(Share Block) Limited
RSA

50%
GALLIC COURTYARD (VALKENBERG)
(Share Block)
Proprietary Limited
RSA △

100%
CITY LODGE HOTELS (AFRICA)
Proprietary Limited
RSA

City Lodge has guaranteed the funding of these BEE entities, resulting in their incorporation into the company and group results. City Lodge does not hold a direct interest in these entities.
* *A subsidiary of Property Lodging Investments Proprietary Limited.*
△ *In the process of being deregistered.*

PEOPLE WHO KEEP US IN BUSINESS

Engaging with our stakeholders and understanding their requirements and concerns is critical to helping our company identify its most material issues. Information gathered as part of our various stakeholder engagement processes feeds directly into decision-making and drives our business strategy.

We engage with the following stakeholders in the following ways:

WHO

- Guests
- Employees
- Suppliers
- Communities
- Business associates
- The media
- Government and regulatory authorities

HOW WE ENGAGED

- Guest questionnaires
- Social media and websites
- Formal market research
- Open door policy on investor relations
- Face-to-face encounters
- Regular analyst and shareholder meetings with the chief executive and financial director
- AGM
- Integrated Report
- Participation in industry bodies and initiatives
- Newsletters and publications
- Public relations

What is important to them?

GUESTS

- Quality product offering
- Consistent service levels
- Recognised loyalty
- Value for money
- Efficiency in dealing with us
- Listening to their needs

EMPLOYEES

- Job security
- On-the-job coaching and training
- Fair remuneration
- Safe working environment
- Engagement
- Performance management
- Career pathing
- Skills development

GOVERNMENT

- Tax revenues
- Compliance with legislation
- Job creation
- Investment in country
- Advancing transformation
- Supporting communities
- Reduction in consumption of natural resources

SHAREHOLDERS

- Return on investment
- Dividends
- Level of gearing
- Corporate governance and ethical leadership
- Growth and expansion opportunities

WHERE OUR INDUSTRY IS HEADED

The macro-economic environment and weak consumer sentiment has weighed on the ability and willingness of the South African SMME corporate and leisure consumer to travel. While global economic conditions appear to be improving, the South African economy is under pressure with economic growth expected to be below 2% in 2015. Declining disposable income, service delivery concerns and concerns of safety and security continue to impact business and consumer confidence and the performance of the industry. The industry has seen a decreasing level of confidence in the sector when compared to the same period last year, as reported in the Tourism Business Council of South Africa TBI Index. The most negative factor influencing the industry remains the cost of inputs, particularly the cost of basic services. Further afield, east African trading conditions have shown some improvement given the continued terrorist attacks in the region and the effects of the Ebola outbreak in west Africa, however, general expectations for the economies are still buoyant.

There is a slight increase in development activity within some of the major centres in South Africa, particularly by some large market participants. A similar trend has been observed in the rest of Africa, where international chains are creating a footprint on the continent.

The implementation of the new immigration legislation with regards to the presentation of unabridged birth certificates and bio-metric visa requirements has had a negative impact on foreign inbound travel to South Africa. The industry has continued to engage with government in this regard.

As a result of an increased level of awareness towards environmental issues, consumers are more aware of behavioural changes which are more environmentally responsible. The security of supply of electricity and water and the rise in its associated costs have meant that stakeholders are more interested in initiatives to reduce consumption patterns.

The use of social media to communicate and transact has developed extensively and has seen a shift in the way the industry engages with its stakeholders. Travellers make use of mobile technology and online booking capabilities to shop for availability and a better deal and are using the provision of free WiFi as a product differentiator. They are also quite comfortable in rating service and experience on public platforms such as Trip Advisor.

What is important to them?

SUPPLIERS

- Stability of supply and timely payment
- BEE performance
- Fair treatment

COMMUNITIES

- Sponsorships
- Bursaries and learnerships
- Investment in disadvantaged communities
- Volunteer days
- Responsible consumption

THE MEDIA

- Honest transparent communication

OUR BUSINESS MODEL

We own or lease and manage all of our 55 hotels under our own brands and primarily operate in the selected service hotel sector, which we pioneered in South Africa.

In this way we are able to manage our products and standards in such a way as to enforce consistency throughout the group. This consistency flows from hotel design, to product offering and service. The company will lease properties both in South Africa and offshore only where it is not possible to own the land and/or buildings. Such properties would be in the minority, allowing the group to leverage off its historic low-cost model to remain competitive in the current trading environment.

Through the implementation of a rigorous refurbishment strategy, we maintain our high standards of product quality and are able to introduce advancements/improvements to our product regularly. One such example of the benefits from this strategy is the implementation of our energy-efficiency initiatives, which has reduced our energy consumption by more than 35% since its initiation in 2010.

Of our revenue, approximately 90% is generated from providing tip-top and clean accommodation to business and leisure travellers in a loving and caring environment. Providing services to complement this offering such as breakfast, light meals and meeting facilities allows guests to select which services they wish to receive at an additional affordable price.

All our hotels receive the support of our central office, which manages and implements the group's strategies consistently across all our brands. As a result of this unique value proposition, we have managed to achieve an average return on equity of 26% over the past seven years, with a current client satisfaction rating of 85% for the past year. This was achieved against a backdrop of providing jobs to 1 573 people in South Africa and a further 293 beyond its borders, either directly or indirectly, thereby contributing to government's growth objectives.

INPUTS

FINANCIAL CAPITAL
- Equity funding
- Operating cash flows
- Debt funding
- Economic climate

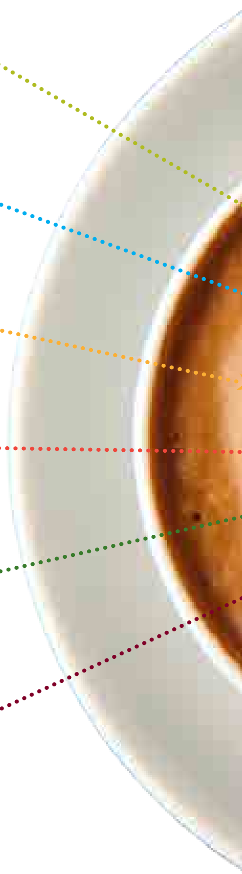
NATURAL CAPITAL
- Physical locations
- Energy
- Water

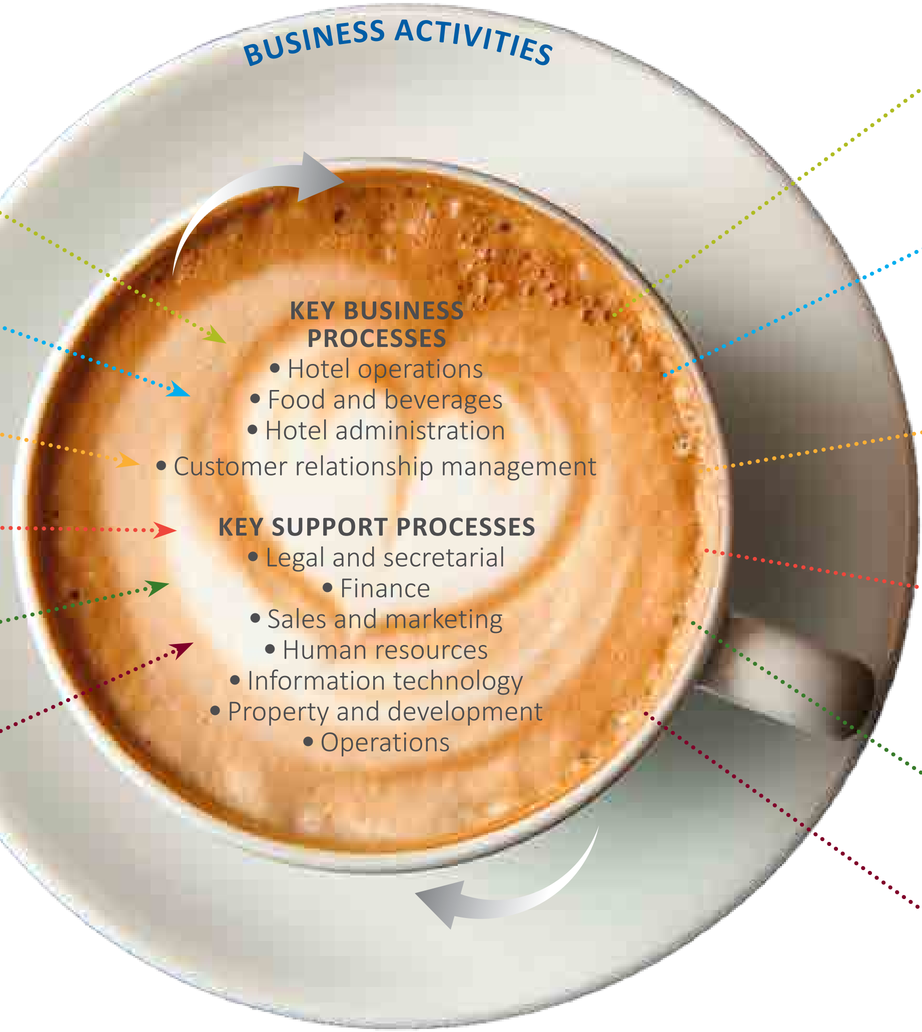
MANUFACTURED CAPITAL
- Hotel buildings
- Furniture and equipment
- Technology

INTELLECTUAL CAPITAL
- Trademarks
- Proprietary knowledge
- Systems and processes
- Scale

HUMAN CAPITAL
- Engaged and skilled employees
- Ethical environment
- Different cultures

SOCIAL AND RELATIONSHIP CAPITAL
- Guests
- Committed suppliers
- Communities
- Business associates





OUTPUTS/OUTCOMES

STRATEGIC PRIORITY LINK

FINANCIAL CAPITAL
- Enhanced equity value
- Growth in footprint
- Optimum debt levels
- Investment income
- Transformed ownership

NATURAL CAPITAL
- Desirable product in convenient locations
- Reduced environmental footprint
- Recycling of waste
- Efficient consumption

MANUFACTURED CAPITAL
- Quality accommodation
- Comfort
- Access to technology
- Meeting travellers' changing needs

INTELLECTUAL CAPITAL
- Positive brand reputation
- Innovation
- Improved operational efficiency
- Standardised operating systems, policies and procedures

HUMAN CAPITAL
- Guests' satisfaction
- Increased loyalty
- Low staff turnover

SOCIAL AND RELATIONSHIP CAPITAL
- Guests' satisfaction
- Loyal supplier base
- Social upliftment
- Industry participation and engagement
- Management of overheads

In determining our material issues – those that have the greatest potential impact on our success – City Lodge is informed by a range of internal and external factors, as well as the concerns raised by our stakeholders. The group follows a process to assess the input gathered and identify those issues that are of the greatest strategic importance to us. In particular, we gather information through internal and external engagement processes using these key sources:

THE EXTERNAL ENVIRONMENT

We are informed by trends in the external environment, which are discussed as a regular item at the company's executive and board meetings. These include economic and industry trends, shifts in the competitive landscape and stakeholder concerns.

THE REGULATORY ENVIRONMENT AND INDEPENDENT BODIES

We consider the regulatory environment, assessing the materiality and impact of various regulations and legislation – both existing and those being developed – on the company. This includes legislation affecting our engagement with our workforce, the treatment of customers, marketplace behaviour, governance and environmental responsibility. We also participate in forums with governing bodies responsible for the development of legislation.

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders and understanding their concerns are critical to helping our company identify its most material issues. Information gathered as part of our various stakeholder engagement processes feeds directly into decision-making and drives our business strategy.

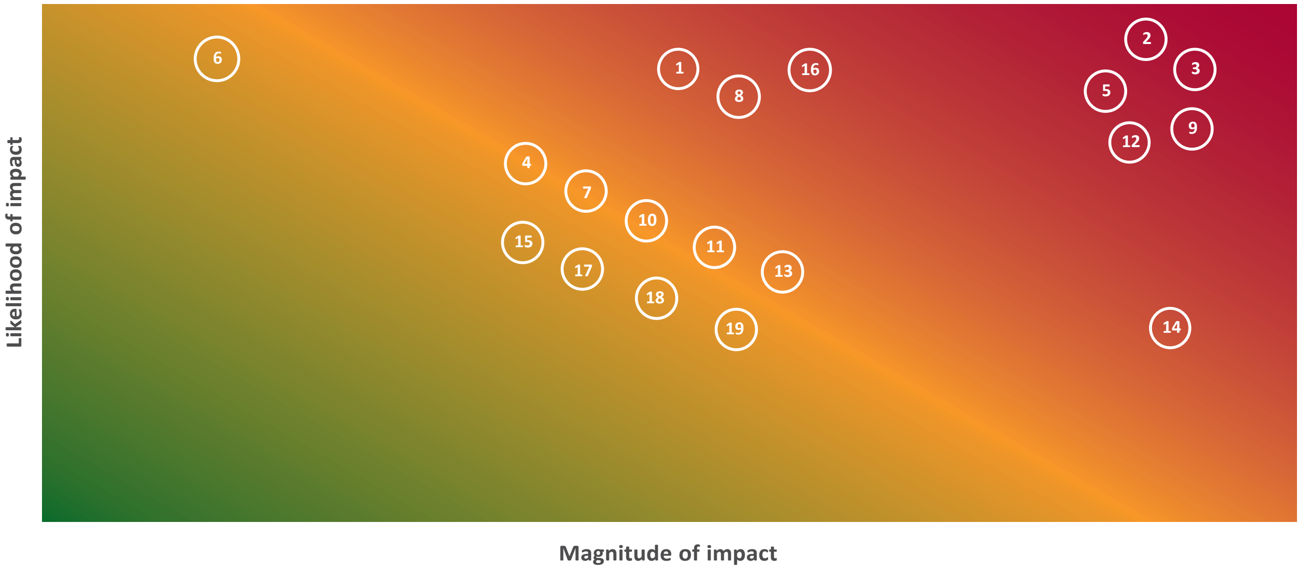
IDENTIFYING OUR MATERIAL ISSUES

Following an internal workshop, inputs gathered from these key sources were assessed and summarised prior to being presented to the board for its approval of the most material issues for inclusion in this IR. Since 2014, there has been some movement in the assessment of material issues as a result of shifting operating conditions.

The issues identified were mapped according to their materiality as shown in the adjoining diagram.

As the final step in the process, this information was fed directly into the articulation of our current business strategy.

MATERIAL ISSUES HEATMAP



Issues included in this area of the grid have only a minor impact on the company and are thus not reported on.

Issues included in this area have a relatively moderate impact on our company. All issues shown in this area are discussed partially in this report.

Issues included in this area are of high significance and impact for both stakeholders and the company. All issues shown in this area are discussed fully in this report.

Issue numbers (refer pages 16 to 19).

OUR MATERIAL ISSUES CONTINUED

FOCUS	MATERIAL ISSUES	DESCRIPTION	MITIGATING STRATEGY
	1. Industry trends – over-supply	As a result of the increased capacity in the sector created in the run-up to the 2010 FIFA World Cup and the low utilisation thereof, the outlook for the hospitality industry remains subdued in the short term.	• Active management which informs decisions on pricing and capacity. • Tracking and analysing industry trends and data.
	2. Industry trends – travel patterns	Due to the limited choice of low-cost airlines, along with increased availability of flights during peak times and shifting travel patterns, overnight travel is on the decrease and reservation lead times are shortening.	• Active management which informs decisions on pricing and capacity. • Tracking and analysing industry trends and data.
	3. Industry trends – yield management	Our ability to manage our own inventory and pricing strategy could impact our market share as travellers shop around for the best deal.	• Active management which informs decisions on pricing and capacity. • Tracking and analysing industry trends and data.
	4. B-BBEE deal funding and compliance	The terms of the B-BBEE funding deal contain specific covenants to be complied with, along with minimum redemption levels, which are solely dependent on dividend flows from the group.	• Continuous engagement with banks regarding performance and terms of funding.
	5. Exposure to South African macro-economic environment	As a result of the bulk of our operations being concentrated within the borders of South Africa, we are directly affected by the spending habits of the South African business traveller and consumer, influenced for example by a rising cost of living, the political landscape and subdued economic growth.	• Geographic spread of portfolio and active brand management. • Exploring non-South African opportunities.
	6. Safeguarding our assets	High levels of crime occurring in and around our hotels.	• Awareness in this regard is addressed through participation in industry security and local policing forums. • 24-hour on premises security at all sites.
	7. Failure to provide required service levels	Inability to meet the diverse needs of travellers.	• Extensive in-house training for all employees.
	8. Changing labour environment	The current environment around collective bargaining by unions and the legislative banning of labour broking and the potential effect on the outsourced cleaning services.	• Regular engagement with labour unions and service providers. • Compliance function to monitor changing legislative requirements.
	9. Limitation on availability of funding for future projects and the cost thereof	In order for City Lodge to continue to expand its footprint both locally and internationally, access to funding may be limited due to current macro-economic circumstances. Similarly the cost and terms at which such funding is granted may impact the group's ability to expand and grow.	• Continuous engagement with banks regarding facilities available. • Consideration of alternative sources of funding.
	10. Exposure to emerging markets – macro factors	City Lodge's strategy to expand beyond the borders of South Africa could be affected by various risks prevalent in these countries, including political and regulatory uncertainty, transparency around land ownership, threat of terrorism, corruption and the time frame to obtain operating licences.	• Clear guidelines and expectations direct in-depth investigation and feasibility studies on countries and specific locations by dedicated resources. • On-site visits.
	11. Exposure to emerging markets – operational challenges	There are a host of operational challenges involved in expanding beyond South African borders, e.g. availability of electricity, operating supplies, potable water and sewerage treatment.	• Extensive evaluation conducted by external specialists. • On-site visits.

STRATEGIC PRIORITIES	OVERVIEW	OUTCOME	KPI
To consolidate our position within South Africa.	Through continued focus on quality of service and product, we aim to maintain our position as a leading provider of quality selected services hotel accommodation to our guests.	• Increased occupancy. • Maintained/increased average daily rates. • Increased focus on cost base. • Managed debt levels. • Consistently high standard of product and service.	• Occupancy % • Average daily rate (ADR) • EBITDA margin • Brand perception score • Guest satisfaction survey % • Return on equity (RoE)
To expand our footprint beyond South Africa's borders.	By obtaining a detailed understanding of our continent, we will be able to introduce the same quality product our guests have grown to love to other African countries.	• Detailed feasibility studies into foreign markets. • Established footprint in new markets.	• Number of hotels beyond South African borders

FOCUS	MATERIAL ISSUES	DESCRIPTION	MITIGATING STRATEGY
	12. B-BBEE	Compliance to changing legislative requirements and the achievement of targeted BEE levels.	• Regular monitoring and forecasting of BEE targets.
	13. Environmental sustainability	Development and implementation of sustainable environmentally friendly business practices.	• Regular monitoring and decision-making by the environmental sustainability steering committee.
	14. Development of a customised Property Management System (“PMS”)	The in-house development of a PMS will result in a number of benefits; however, there is an increased risk due to the level of integration with external systems required.	• Dedicated internal specialists manage the project. • Engaging external specialist software developers to design and execute new PMS.
	15. Reliance on IT infrastructure	As a result of the wide distribution of our hotels throughout sub-Saharan Africa, we have, over time, established an IT infrastructure in order to support our operations. Our hotels are reliant on this infrastructure daily in order to perform optimally.	• Continuous upgrading and maintenance of IT infrastructure. • Implementation of a detailed disaster recovery plan. • Making use of third-party hosting facilities.
	16. Changing needs of the business traveller	Technological advancements result in changing guest expectations which place additional reliance on the IT infrastructure and requires the group to be innovative in its offering and refurbishments.	• Dedicated resources engage internally to assess and implement new projects.
	17. Perception of brand and service offerings	City Lodge has been offering a consistently good product since its inception. As a result of the new capacity created in the industry, consumers are spoilt for choice and may perceive the brand unfavourably given its relative age and due to a lack of understanding thereof. Further, the direction of the marketing campaigns may influence consumer perceptions.	• A targeted marketing strategy to educate guests about the various brand offerings. • Regular market research is conducted to understand the views and needs of travellers, which informs future decision-making. • Engaging external specialist branding and marketing consultants and keeping up with current consumer trends.
Page 71	**18. Fair remuneration philosophy**	There is a global trend towards evaluating income disparity within an organisation and benchmarking these to similar industry participants. Further, the introduction of a pay-for-performance culture aligns employee interests with those of shareholders.	• Extensive evaluation conducted by external specialists. • Monitoring and implementation of remuneration philosophy is a function of the remuneration committee.
Pages 67 and 70	**19. Legislative changes and compliance with laws and regulations**	Compliance with new and changing legislation.	• Continuous monitoring of legislative changes affecting the industry and providing commentary when requested to do so. • Dedicated legal and compliance function.

STRATEGIC PRIORITIES	OVERVIEW	OUTCOME	KPI
To continue to transform the group in line with B-BBEE Codes of Good Practice.	By remaining committed to the principles contained in the Codes of Good Practice, the group will transform itself, thereby ensuring its long-term sustainability.	• Increased ownership in the hands of black South Africans. • Increased representation at all levels in the group. • Improved level of skills and experience. • Development and support of sustainable supply chain. • Positive influence on local communities.	• B-BBEE rating • Various HR targets
To be a leader within the hospitality sector in environmentally sustainable business practices.	By clearly understanding the impact our business has on the environment, we are able to change the way we operate, and in so doing have a positive influence on our planet and sustainability over the short, medium and long term.	• Increased awareness of environmental issues. • Understanding of the group's impact on the environment. • Reduced energy and water consumption. • Minimisation and recycling of waste.	• CO_2 footprint • Recognised sustainability certification • Consumption per room sold
To maintain and implement an innovative technology platform.	By remaining aware of current trends and introducing innovative IT services to enhance our guests' experiences.	• Increased innovation. • Enhanced guest satisfaction.	• Guest satisfaction survey %
To continue embedding our refreshed brands and realise growing benefits from moving from an umbrella to a channel marketing strategy.	The refreshed brand identity will continue to result in a shift in the level of awareness and perception of our brands among current and future guests, demonstrating how the experience of our product has kept up with market trends.	• Improved level of awareness of the group's brands. • Increased level of differentiation of the group's offering. • Improved digital presence. • Increased occupancy.	• Level of brand awareness • Digital presence • Occupancy %

OUR BRAND OVERVIEW

OUR ROOMS

FAIRVIEW
A CITY LODGE GROUP HOTEL
1 Hotel ■ 127 rooms

- Spacious rooms with various-sized beds.
- Television with satellite TV.
- Bathroom with bath and/or separate showers.
- Tea and coffee-making facilities.
- Electronic safe large enough to accommodate a laptop.
- Desk with lighting and plugs for easy connectivity.

COURTYARD HOTEL
5 Hotels ■ 381 rooms

- Studio, one or two-bedroom luxury rooms.
- Well-appointed bathroom(s).
- Fully equipped kitchenette.
- Personal electronic safe in each room (big enough for laptops).
- International direct-dial telephone.
- Television with M-Net and selected DStv channels.
- Chrysalis cotton-rich percale linen.

CITY LODGE HOTEL
16 Hotels ■ 2 854 rooms

- Spacious air-conditioned room with queen-sized bed or twin beds.
- Television with M-Net and selected DStv channels.
- Bathroom with bath and separate shower or maxi-shower.
- Tea and coffee-making facilities.
- Rooms with sleeper-sofa available at selected hotels on request.
- Electronic safe large enough to accommodate a laptop.
- Desk with lighting and plugs for easy connectivity.
- Plush duvets with cotton-rich percale linen.

TOWN LODGE
BY CITY LODGE HOTELS
12 Hotels ■ 1 503 rooms

- Fully carpeted, spacious air-conditioned room with double or twin beds.
- Television with M-Net and selected DStv channels.
- Interleading family rooms available.
- En-suite bathroom with maxi-shower.
- Tea and coffee-making facilities.
- Desk with lighting and plugs for easy connectivity.

ROAD LODGE
BY CITY LODGE HOTELS
21 Hotels ■ 1 969 rooms

- Fully carpeted and air-conditioned.
- Television with M-Net and selected DStv channels.
- Working desk.
- En-suite bathroom with shower, toilet and hand basin.
- Rooms with double or twin beds, with single sleeper chair available in selected rooms.

OUR SERVICES

- Gym.
- Boardrooms and conference facilities.
- Convenient location.
- Full English and continental breakfast daily.
- 24-hour reception and check-in.
- Sundowner bar.
- A number of restaurants and cafés.
- Same-day laundry and dry-cleaning service.
- Sparkling swimming pool.
- Free and convenient parking.
- Wireless internet access.

OUR CURRENT LOCATIONS

- Nairobi, Kenya.

- Intimate lounge area.
- Courtesy bar (17:00 to 19:00).
- 24-hour enhanced security.
- Free, secure parking just metres from your door.
- An elegant boardroom for guest use.
- Personal use of guest office and internet.
- Sparkling pool in landscaped garden setting.
- Full English and continental breakfast daily.
- In-room dining by arrangement with local restaurants.
- Same-day laundry and dry-cleaning service.
- 24-hour launderette.
- Woolworths personalised shopping service.
- Wireless internet access.

Locations:

- Johannesburg (Eastgate, Rosebank, Sandton).
- Port Elizabeth.
- Pretoria (Arcadia).

- Internet area.
- Mini gym.
- Boardroom.
- Convenient locations, close to major routes.
- Full English and continental breakfast daily.
- 24-hour reception and check-in.
- Sundowner bar.
- 24-hour vending machines stocked with snacks and cold beverage items.
- Same-day laundry and dry-cleaning service.
- Sparkling swimming pool.
- Free and convenient parking.
- Wireless internet access.
- Coffee shop serving light meals.

Locations:

- Bloemfontein.
- Cape Town (GrandWest, Pinelands, V&A Waterfront).
- Durban (Central, Umhlanga Ridge).
- Johannesburg (Airport – Barbara Road, Bryanston, Fourways, OR Tambo Airport, Sandton – Katherine Street, Sandton – Morningside, Waterfall City).
- Port Elizabeth.
- Pretoria (Hatfield, Lynnwood).

- Convenient locations, close to major routes.
- Free, easy and secure parking.
- 24-hour reception and check-in.
- Full English and continental breakfast daily.
- Sundowner bar.
- 24-hour vending machine for snacks and beverages.
- Same-day laundry and dry-cleaning service.
- Wireless internet access.

Locations:

- Bellville.
- George.
- Johannesburg (Johannesburg Airport, Midrand, Roodepoort, Sandton – Grayston Drive).
- Mbombela (Nelspruit).
- Polokwane.
- Port Elizabeth.
- Pretoria (Menlo Park).
- Gaborone, Botswana.
- Nairobi, Kenya.

- A light breakfast is available daily.
- 24-hour vending machines stocked with snacks and beverages.
- Free, ample and secure parking.
- 24-hour reception service and check-in.
- Wireless internet access.

Locations:

- Bloemfontein Airport.
- Cape Town (N1 City, Cape Town International Airport).
- Centurion.
- Durban (Central, Umhlanga Ridge).
- East London.
- Johannesburg (Carnival City, Germiston, Isando, Johannesburg Airport, Randburg, Rivonia).
- Kimberley.
- Mbombela (Nelspruit).
- Port Elizabeth (Port Elizabeth Airport, Summerstrand).
- Potchefstroom.
- Richards Bay.
- Rustenburg.
- Southgate.

FAIRVIEW

A CITY LODGE GROUP HOTEL

A travellers' oasis

Located on two hectares of beautifully landscaped and manicured gardens, this hotel combines comfort and style to suit both business and leisure travellers. It offers excellent access to the Nairobi CBD and the city's two main airports. Apart from comfortable rooms and apartments, the hotel also offers free wireless internet, conferencing, a wine bar, a swimming pool and excellent dining facilities for all meals.

Thirty years
OF EXCELLENCE

COURTYARD
HOTEL

Superior service, impeccable style

Each of our five Courtyard hotels has its own distinct character and personality, but each also has the same goal – to provide guests with an excellent accommodation experience in an elegant environment.

From access to a personal shopping service, to the benefit of an early evening courtesy bar, guests are given the sort of special treatment to be expected from a brand that goes out of its way to meet needs and surpass expectations.

With its spacious accommodation options ranging from studio through to two-bedroom luxury rooms, the Courtyard brand offers a large degree of self-sufficiency with guests having access to their own kitchenette, lounge and dining areas.

Thirty years
OF EXCELLENCE

CITY LODGE
HOTEL

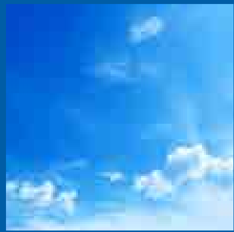
Ideal for business and leisure travellers

City Lodges have established an enviable reputation as providers of ideal services and features for both business and leisure travellers.

From their scrumptious breakfasts, coffee shops and sundowner bar services, through to their spacious en-suite bedrooms and inviting swimming pools, they have all that guests need to enjoy a home-away-from-home experience in outstanding locations with ample safe parking.

Thirty years
OF EXCELLENCE

TOWN LODGE
BY CITY LODGE HOTELS



Convenience with a smile

Town Lodges offer affordable accommodation in convenient locations. While their bedrooms are slightly smaller than those at City Lodges, they offer many of the same services such as friendly staff, great breakfasts, sundowner bar services and swimming pools, along with lots of free safe parking.

Thirty years
OF EXCELLENCE

ROAD LODGE
BY CITY LODGE HOTELS

Value, value, value!

Superbly located for budget-conscious business and leisure travellers, Road Lodges provide incredible value for money without scrimping on quality. One, two or three guests can share a comfortably furnished and decorated room for the single room rate. Continental breakfasts and ample free safe parking are also provided.

Thirty years
OF EXCELLENCE

WHO GOVERNS US

Bulelani Ngcuka (61)†
(Chairman)

BProc, LLB, MA (Webster University, Geneva, Switzerland)

Legal and general business expertise

Serves on the boards of the following listed companies:
Buildmax Limited
Rolfes Technology Holdings Limited (chairman)
CSG Holdings Limited (chairman)

Other:
Vuwa Investments Proprietary Limited
Menzies Aviation (South Africa) Proprietary Limited
Coega Autospray Proprietary Limited
Amadlelo Agri Proprietary Limited
BetterGroup Limited
Leapfrog Property Group Proprietary Limited

Appointed to the board in 2008

Clifford Ross (58)←# ↘△□▽

Dip (Hotel Management) Advanced Management Programme (Cornell)

Areas of expertise include strategy, management and operations within the hotel industry

Serves on the following tourism industry boards:
Tourism Business Council of South Africa
Federated Hospitality Association of Southern Africa
Tourism Enterprise Partnership
STH – UJ School of Tourism and Hospitality

Appointed to the board in 1991

Frank Kilbourn (54)†■# Ʊ
(Lead independent)

BCom, LLB, BA Honours (Philosophy, cum laude), HDip (Tax), LLM

Areas of expertise include legal, finance, corporate finance, private equity, venture capital, empowerment, investment, mining and tourism

Serves on the boards of the following companies:
Bright Resources Investments Proprietary Limited
Manganese Metal Company Proprietary Limited

Appointed to the board in 1996

Stuart Morris (69)■# Ʊ†

BCom, Chartered Accountant (SA)

Areas of expertise include strategy, finance, audit, risk, accounting, tax, compliance, human resources and general management

Serves on the boards of the following listed companies:
Group Five Limited
Hudaco Industries Limited
Zurich Insurance Company South Africa Limited

Other:
Rolex Watch (South Africa) Proprietary Limited
Sasol Pension Fund
Wits Donald Gordon Medical Centre Proprietary Limited

Appointed to the board in 2006

George Gideon (Deon) Huysamer (52)
BA LLB

Areas of expertise include legal, tourism, management and management consulting, corporate finance, consulting, investment analysis, stockbroking and wealth management

Serves on the boards of:
Brand South Africa
MAD Charity and Children's Eco Training
Member of Executive Committee of the Klaserie Private Nature Reserve

Appointed to the board in 2015

Ndumi Medupe (44)■↺#
Chartered Accountant (SA)

Areas of expertise include audit, risk, governance and financial management

Serves on the boards of the following companies:
Indyebo Consulting (founder and chief executive)
Pinnacle Holdings Limited
Italtile Limited
Futura Footwear Limited

Appointed to the board in 2006

Andrew Widegger (49)←#↘△□
Chartered Accountant (SA)

Areas of expertise include accounting, finance and management, property development and operations within the hotel industry

Appointed to the board in 1994

Keith Shongwe (51)#↺△
BSc, MBChB

Areas of expertise include business development, consulting, management, technology, project management and healthcare

Appointed to the board in 2002

Wendy Tlou (43)#↺
BA Communications, Programme for Management Development, Certificate in Public Relations

Areas of expertise include public relations, particularly in the tourism industry, and marketing

Appointed to the board in 2011

■ Member of audit committee
← Member of executive committee
† Member of remuneration and nomination committee
△ Member of social and ethics committee
\# Member of risk committee
↘ Executive director
↺ Independent non-executive
□ By invitation – audit committee
▽ By invitation – remuneration and nomination committee

WHO LEADS US

Patrick Tate (59)#
Divisional director – operations
Dip (Hotel Management)

27 years with the company

Clifford Ross (58)#↺△↘□▽
Chief executive
Dip (Hotel Management), Advanced Management Programme (Cornell)

28 years with the company

Andrew Widegger (49)#↺△↘□
Financial director
Chartered Accountant (SA)

22 years with the company

Gary Bisset (61)#↺
Divisional director – operations
Dip (Hotel Management)

21 years with the company

Alastair Dooley (36)#□
Divisional director – financial
Chartered Accountant (SA)

6 years with the company

#	Member of executive committee
↺	Member of risk committee
↘	Executive director
△	Member of social and ethics committee
□	By invitation – audit committee
▽	By invitation – remuneration and nomination committee

Naynesh Parbhoo (42)[#]
Divisional director – accounting
Chartered Accountant (SA)

17 years with the company

Marcel Kobilski (51)[#↺]
Divisional director – human resources
Dip (Hospitality Management), BBA

19 years with the company

Ross Phinn (44)[#]
Divisional director – operations
Dip (Hotel Management)

18 years with the company

Peter Schoeman (50)[#]
Divisional director – sales and marketing
Dip (Hospitality Management)

21 years with the company

Tony Balabanoff (55)[#]
Divisional director – operations
BTech (Hospitality Management), Advanced Management Programme (Cornell)

29 years with the company

Bulelani Ngcuka
Chairman

Clifford Ross
Chief executive

IT IS BOTH TIMELY AND FITTING TO REFLECT ON THE EVOLUTION OF THE CITY LODGE HOTEL BRAND.

Dear stakeholder,
Having recently (August 1) celebrated our 30th anniversary as a group, it is both timely and fitting to reflect on the evolution of the City Lodge Hotel brand since our first hotel opened in Bryanston in 1985.

Our 2015 hotel, such as our brand new City Lodge Hotel Waterfall City, is very different to our 1985 hotel, City Lodge Randburg, as it was called then. Not only does it have a coffee shop, meeting facilities, a fitness room and wireless internet (which did not exist back then), but it also has a choice of rooms with a shower and a bath or just a shower, in line with contemporary travel trends. There have also been some major advances in décor, design and features, ideally meeting the needs of discerning business and leisure travellers.

In line with our ongoing commitment to environmental responsibility and sustainability, there have also been some significant improvements in the energy efficiency of our hotels and a consequential, meaningful reduction in carbon footprint. This has been part of our focus on the triple bottom line – social, environmental and financial.

Also very different to three decades ago – when modern technology was in its infancy – we have recently signed up with international online travel agencies such as Agoda and Expedia, helping us to gain further traction in global markets.

Importantly, we have recognised the potential of public sector business travel in the South African market and have increased our focus in this area, including appointing a dedicated sales executive to handle government business.

While Kenya's travel market has softened as a direct result of terror attacks in east Africa and fallout from the Ebola outbreak in other parts of the continent, we are confident that our occupancies will improve as our hotels there mainly service the business traveller. It is encouraging to note that travel advisories have been lifted, a move that should lead to normalised travel activity in the region.

In Botswana, our Town Lodge Gaborone continues to entrench its position and carve out a valuable niche for itself.

On the African expansion front, construction will commence shortly on the 169-room City Lodge Hotel Two Rivers in Nairobi and this hotel – our third in Kenya – is scheduled to open early in 2017. Tender proceedings have begun for the development of the 147-room City Lodge Hotel Dar es Salaam in Tanzania, which is also expected to be completed early in 2017. Formal agreements are due to be entered into regarding the development of a 150-room City Lodge Hotel in Kampala, Uganda.

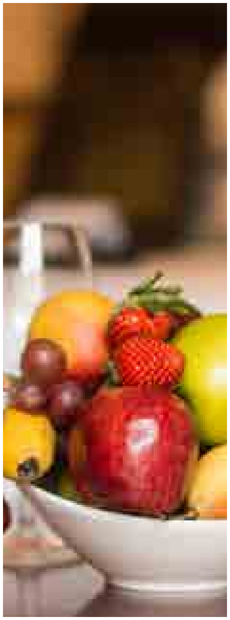
Closer to home, formal agreements have been entered into for the development of a 151-room Town Lodge in Windhoek, Namibia, while land has been acquired for the development of a 148-room City Lodge Hotel in Maputo, Mozambique.

Once fully operational and well established in their particular markets, it is anticipated that our non-South African hotel portfolio will comprise around 20% of our total number of rooms and contribute 30% to 35% to our revenue.

PRODUCING A SOLID OPERATING PERFORMANCE

The 2015 financial year was a solid period from an operational point of view, with increased occupancies across our City Lodge Hotel, Town Lodge and Road Lodge brands. Significantly, our solid performance was in contrast to the weaker trend in the South African hotel industry which has recently been buffeted by a range of challenges including issues such as Ebola, changes to visa regulations and power outages, which have adversely impacted businesses and individuals.

Importantly, we believe that our increased occupancies are a direct result of our value-for-money approach and growing guest identification with our recent brand refreshment exercise that is definitely paying dividends for our group. By focusing on providing a superior guest experience, we believe that we are resonating with our customer base of both business and leisure travellers.



In South Africa, our newest hotel – the 149-room City Lodge Hotel Waterfall City – has shown some good early signs since becoming fully operational in February and we are confident that it will carve out a notable niche for itself in the rapidly expanding node on the fringes of northern Johannesburg. Our two hotels under construction – the 148-room City Lodge Hotel Newtown and the 90-room Road Lodge Pietermaritzburg – are progressing well and are both on track to open their first rooms in November this year.

With effect from 1 May 2015, the group acquired HPF Properties Proprietary Limited's 50% share in the Courtyard Hotel brand for a cash consideration of R77,5 million. This involved acquiring the following: 50% share in Gallic Courtyard (Arcadia) Share Block Proprietary Limited; 50% share in Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited; 50% share in Gallic Courtyard (Rosebank) Share Block Limited; 50% share in Gallic Courtyard (Sandown) Share Block Limited; and a 50% share in five sectional title units at Courtyard Hotel Sandton and one at Courtyard Hotel Rosebank.

In line with our ongoing commitment to keep our hotels in great shape, our refurbishment programme has again ensured that we offer quality products to our guests that are well designed, appointed and maintained. During the 2015 year we carried out scheduled major and minor (soft) refurbishments at several of our hotels and there is a programme already under way for the 2016 financial year.

Hotels that received refurbishments in 2014/15 included Road Lodge Germiston, Town Lodge Midrand, City Lodge Hotel Bloemfontein, City Lodge Hotel Bryanston, City Lodge Hotel Pinelands, City Lodge Hotel Umhlanga Ridge and Courtyard Eastgate. Hotels that will have refurbishments completed in the 2015/16 year include Road Lodge N1 City, Road Lodge Durban, Town Lodge Nelspruit and City Lodge Hotel GrandWest.

Mirroring global trends and reinforcing our commitment to environmental responsibility and sustainably, a policy has been instituted whereby all our "new builds" and refurbishments in the City Lodge Hotel brand will offer bathrooms that are two thirds maxi-shower only, and one third bath and shower. This change was first implemented at our brand new City Lodge Hotel Waterfall City and has proved very popular with guests.

FINANCIAL HIGHLIGHTS

The City Lodge Hotel group celebrated its 30th anniversary on 1 August and we are delighted to report strong results. Average occupancies for the year at the group's South African operations, increased by a notable 4 percentage points to 67% compared to 63% in the previous year, despite the impact of several headwinds.

The second half of the year benefited from fewer public holidays than the previous corresponding period which had the additional mid-week public holiday for the 2014 national and provincial elections.

While the group's Botswana hotel continued to improve occupancies, the Kenyan operations were impacted by the perceived Ebola risk and ongoing travel advisories issued by various governments in regard to security concerns in parts of East Africa.

Total revenue for the year grew by 22,6% to R1,3 billion, assisted by a contribution from City Lodge Hotel Waterfall City, which became fully operational in February, and from the acquisition of Hospitality Property Fund's 50% stake in the Courtyard joint Venture with effect from 1 May for R77,5 million.

South African operating costs, on a normalised basis, increased by 6,2% on a per room sold basis, resulting in a 0,2% point decrease in the normalised EBITDA margin for the South African operations to 41,2%. Total normalised EBITDA increased by 24,9% to R547.1 million. Depreciation rose by 10,2%, interest income was slightly lower and interest expense was R9,7 million higher due to increased average borrowings.

Profit for the Courtyard joint venture of R1,6 million was only for the 10-month period to 1 May, after which Courtyard earnings were consolidated. At this date, the fair value of the assets acquired and liabilities assumed were equal to their carrying amounts, except for property, plant and equipment with a carrying amount of R26,9 million and a fair value of R87,0 million. Goodwill of R3,4 million arose on this business combination.

Normalised headline profit before tax for the group increased by 18,7% to R455,7 million, while normalised headline earnings increased by 17,9% to R332,1 million. Normalised diluted headline earnings per share increased by 18,2% to 759,9 cents.

In line with the group's established policy of paying out 60% of normalised earnings, the final dividend increased by 21,7% to 230 cents, bringing the total dividend for the year to 460 cents per share, which is an increase of 17,7% on the previous year.

An additional amount of R65 million was drawn down from existing long-term borrowing facilities to partly fund the purchase of the outstanding 50% of the Courtyard joint venture.

ADVANCES IN MARKETING AND IT

Hugely important for our central office, our hotels and our guests has been our decision to partner with telecommunications group MTN to install a next generation, high-speed fibre-optic communications network across our group's operations in South Africa and Botswana.

Apart from improving the speed, reliability and bandwidth of wireless connectivity in our hotels, and upgrading our telephony services, this partnership has also enhanced and converged our internal network and optimised our systems stability. Importantly, this seamless communications experience has not only increased internet speeds and reliability, it has also lowered telephony costs. Our guests now have access to a complementary state-of-the-art WiFi network as well as access to a premium service for which a nominal fee is charged.

Also of major importance for our operations has been the successful piloting of Lodgix, our internally developed property management system. The roll-out of Lodgix to all group hotels is expected to be completed in the first quarter of 2016. Essentially, Lodgix will enable us to speed up and streamline guest interactions including check-in and check-out, as well as continually introduce new features, enhancements and innovations that will benefit our guests. Lodgix will also provide a wide range of advantages for our hotels, making their relationships with guests more proactive and responsive, both characteristics that will help us to retain regular guests and attract new ones.

In the fast-moving and fascinating world of social media, it is pleasing to note that we now have more than 100 000 "likes" on Facebook and are continuing to gain traction on Twitter and some other platforms.

Our chief executive's participation in the first-ever CEO Sleepout in South Africa – which included the first online donation made towards Girls and Boys Town – resulted in some extremely active Facebook and Twitter activity, driving home the growing importance of social media as a networking and communications tool. It also resulted in R128 750 being raised by us for this great cause with generous contributions coming from City Lodge Hotel Group staff, shareholders, suppliers and associates.

IMPROVING OUR ENERGY EFFICIENCY AND MANAGING OUR CARBON FOOTPRINT

Building on the major strides we have taken in recent years, additional progress has been made in maximising our energy efficiency, improving our waste management and managing our overall carbon footprint.

Our "Every Day is Earth Day" campaign has become well entrenched in our hotels and through our social media platforms, reminding our guests about the importance of maintaining environmental awareness and environmentally friendly behaviour.

It is pleasing to note that in 2015 we again decreased our overall energy consumption from a 2010 baseline and reduced our carbon footprint.

Over the past year, our hotels have made good progress in separating waste at source and contributing to more effective levels of waste recycling.

INVESTING IN OUR PEOPLE

Showing our ongoing commitment to developing our people throughout the group, Investors in People in January 2015 reaffirmed our bronze accreditation for another three years. In addition, our human resources department has been piloting an internship programme which could prove very beneficial in assisting our efforts – especially at lower management levels – to populate our skills pipeline for the future.

It is extremely gratifying to report that four of our recently appointed hotel general managers have been developed through our own channels and programmes, which has a strong emphasis on advancing potential managers who come from a previously disadvantaged background.

Over the past few years, our "I'm Kind" service excellence programme has gone from strength to strength, resonating with our employees and guests in all their locations where our hotels are situated. This initiative now also incorporates guest questionnaire scores and video mystery customer scores to indicate guest satisfaction levels.

MAINTAINING AND IMPROVING OUR B-BBEE RATING

During the year, our group managed to maintain its Broad-Based Black Economic Empowerment rating at Level 3 with the actual score increasing from 76,7 to 81,3 – reflecting progress that has been made in all areas of measurement. The new Tourism Sector Codes have been published and we are working towards ensuring compliance – including putting strategies in place that will improve our scores and overall rating over time.

CHANGES TO OUR BOARD OF DIRECTORS

After 29 years of exceptional service to our group, lead independent non-executive director, Nigel Matthews, retired from the board at the end of 2014. He was instrumental in founding our group in 1985 with our former chairman, Hans Enderle. The board and the group are enormously grateful to Nigel for his significant contribution over a quarter of a century and wish him all the best in his well-earned retirement. His role as lead independent non-executive director was taken over by long-serving board member, Frank Kilbourn, with effect from 1 January 2015.

We welcomed Deon Huysamer as an independent non-executive director with effect from 1 January 2015. He is making valuable contributions to our board's audit and risk committees.

OUTLOOK

In the year ahead, the group will continue to grow in South Africa and also look to substantially increase its footprint in selected African countries.

Our development pipeline will be funded out of a combination of operating cash flows and additional bank loan facilities of R890 million.

The trend of better than prior year occupancies has continued into July and August, auguring well for this momentum to be maintained in the year ahead.

THANKS

Our thanks go to all of the stakeholders who have enabled us to celebrate three decades of servicing the hotel accommodation needs of discerning business and leisure travellers across South Africa and increasingly into selected parts of the broader African continent. The stakeholders include our guests, staff, management, directors, shareholders and service providers, all of whom have played a vital role in the group's continuing growth and success.

We look forward to our fourth decade with excitement and enthusiasm.

Bulelani Ngcuka
Chairman

Clifford Ross
Chief executive

SEVEN-YEAR FINANCIAL REVIEW

R'm	2015	2014	2013	2012	2011	2010	2009
Consolidated normalised income statements							
Revenue	**1 303,1**	1 062,8	975,9	875,8	790,2	749,1	665
EBITDA	**547,1**	438,2	407,6	368,9	330,4	384,9	369,7
Depreciation and amortisation	**(86,4)**	(78,4)	(79)	(78,4)	(73,1)	(47,3)	(34,9)
Operating profit	**460,7**	359,8	328,6	290,5	257,3	337,6	334,8
Net interest (expenditure)/income	**(6,2)**	3,3	(5,5)	(9)	(12)	(0,6)	9,2
Fair value gain on remeasurement of investment in joint venture	**60,0**	44,7	–	–	–	–	–
Income/(loss) from joint ventures	**1,6**	21,3	16	(0,1)	0,6	7	9
Profit before taxation	**516,1**	429,1	339,1	281,4	245,9	344	353
Taxation	**(123,6)**	(102,2)	(86,8)	(89,6)	(81,6)	(110,5)	(116,8)
Profit for the year	**392,5**	326,9	252,3	191,8	164,3	233,5	236,2
Determination of normalised headline earnings							
Profit for the year	**392,5**	326,9	252,3	191,8	164,3	233,5	236,2
Fair value gain on remeasurement of investment in joint venture	**(60,0)**	(44,7)	–	–	–	–	–
Gain on bargain purchase	**–**	(0,6)	–	–	–	–	–
Profit on sale of equipment	**(0,7)**	–	(0,2)	(0,1)	(1,4)	(0,6)	(0,3)
Taxation effect	**0,3**	–	0,1	—	0,2	0,2	0,1
Headline earnings	**332,1**	281,6	252,2	191,7	163,1	233,1	236,0

R'm	2015	2014	2013	2012	2011	2010	2009
Consolidated normalised statements of financial position							
Assets							
Non-current assets	**1 809,2**	1 535,7	1 295,3	1 149,8	1 173,9	1 124,0	815,2
Property, plant and equipment	**1 740,2**	1 453,8	1 068,6	1 092,5	1 118,9	1 073,0	765,9
Intangible assets and goodwill	**32,6**	15,3	–	–	–	–	–
Investments and loans	**31,7**	63,0	222,6	54,3	52,0	48,0	46,3
Deferred taxation	**4,7**	3,6	4,1	3,0	3,0	3,0	3,0
Current assets	**221,1**	175,7	75,5	142,6	75,6	105,4	155,4
Total assets	**2 030,3**	1 711,4	1 370,8	1 292,4	1 249,5	1 229,4	970,6
Equity							
Total shareholders' funds	**1 439,8**	1 238,1	1 051,9	915,2	840,6	805,9	695,6
Share capital and premium	**164,0**	158,3	154,7	148,8	147,6	145,1	143,1
Incentive scheme shares	**(11,0)**	(22,1)	(17,1)	(17,1)	—	—	—
Reserves	**1 286,8**	1 101,9	914,3	783,5	693,0	660,8	552,5
Liabilities							
Non-current liabilities	**470,7**	376,2	181,8	166,2	254,7	321,4	176,5
Interest-bearing borrowings	**250,0**	185,0	–	—	125,0	230,0	100,0
Other non-current liabilities	**113,4**	105,9	113,0	94,6	56,2	22,3	15,6
Deferred taxation	**107,3**	85,3	68,8	71,6	73,5	69,1	60,9
Current liabilities	**119,8**	97,1	137,1	211,0	154,2	102,1	98,5
Total equity and liabilities	**2 030,3**	1 711,4	1 370,8	1 292,4	1 249,5	1 229,4	970,6

		2015	2014	2013	2012	2011	2010	2009
Ordinary share performance								
Shares in issue	000	**43 347**	43 221	43 123	42 989	42 929	42 815	42 744
Normalised weighted average shares in issue	000	**43 168**	42 875	42 818	42 827	42 854	42 779	42 647
Normalised diluted headline earnings per share	cents	**759,9**	643,1	578,3	442,8	379,0	540,8	549,1
Dividends per share	cents	**460,0**	391,0	351,0	268,0	228,0	327,0	361,0
Normalised dividend cover	times	**1,7**	1,7	1,7	1,7	1,7	1,7	1,5
Normalised net asset value per share	cents	**3 322**	2 865	2 439	2 129	1 958	1 882	1 627
Normalised net operating cash flow per share	cents	**935,6**	797,7	815,2	682,9	580,7	764,3	649,2
Profitability and liquidity (normalised)								
EBITDA margin	%	**42,0**	41,2	41,8	42,1	41,8	51,4	55,6
EBITDAR margin	%	**47,7**	48,0	48,4	49,0	48,7	53,4	56,3
Operating margin	%	**35,4**	33,9	33,7	33,2	32,6	45,1	50,3
Effective tax rate	%	**24,0**	23,8	25,6	31,9	33,2	32,1	33,0
Return on ordinary shareholders' funds	%	**24,8**	24,6	25,6	21,8	19,8	31,0	34,7
Interest-bearing debt to total shareholders' funds	%	**17,4**	14,9	3,3	13,7	23,8	28,5	19,2
Current ratio	:1	**1,9**	1,8	0,6	0,7	0,5	1,0	1,5

DEFINITIONS

Normalised headline earnings
Headline earnings adjusted for the effects of transactions relating to BEE or those of a non-recurring/core nature.

Normalised headline earnings per share
Normalised profit before exceptional items divided by the weighted average number of ordinary shares in issue.

Normalised diluted headline earnings per share
Normalised headline earnings divided by the sum of the weighted average number of ordinary shares in issue and any outstanding share options in issue.

Dividend cover
Normalised diluted headline earnings per share divided by dividends declared per share.

Normalised net asset value per share
Total normalised shareholders' funds divided by the number of ordinary shares in issue at the year-end.

Normalised net operating cash flow per share
Net cash inflow from operating activities, before dividends, divided by the weighted average number of ordinary shares in issue.

EBITDA
Normalised earnings before interest, taxation, depreciation and amortisation.

		2015	2014	2013	2012	2011	2010	2009
Stock exchange performance								
Market price per ordinary share								
– Closing	Rand	**138,99**	127,00	120,00	84,95	65,23	76,85	69,00
– Highest	Rand	**159,00**	143,01	134,00	90,00	87,25	85,75	79,00
– Lowest	Rand	**112,01**	107,33	78,00	57,51	64,00	67,50	57,00
Total market capitalisation	R'm	**6 025**	5 489	5 175	3 651,9	2 800,2	3 290,4	2 949,3
Normalised fully diluted closing price-earnings multiple	times	**18,3**	19,8	20,8	19,2	17,2	14,2	12,6
Volume traded								
– Ordinary shares	000	**14 162**	9 397	10 531	13 517	16 280	12 038	13 991
Other								
Number of hotels		**55**	54	55	52	52	50	43
Number of rooms		**6 834**	6 685	6 755	6 440	6 440	6 053	4 864
Group average occupancy	%	**67**	63	62	59	56	70	77

DEFINITIONS CONTINUED

EBITDA margin
Normalised EBITDA expressed as a percentage of revenue.

EBITDAR
Normalised earnings before interest, taxation, depreciation, amortisation and rental.

EBITDAR margin
Normalised EBITDAR expressed as a percentage of revenue.

Operating margin
Normalised operating profit expressed as a percentage of revenue.

Effective tax rate
Taxation per the normalised income statement expressed as a percentage of normalised profit before taxation.

Return on ordinary shareholders' funds
Normalised headline earnings attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' funds.

Interest-bearing debt to total shareholders' funds
Normalised interest-bearing debt expressed as a percentage of total normalised shareholders' funds.

Current ratio
Normalised current assets divided by normalised current liabilities.

TO CONSOLIDATE OUR POSITION WITHIN SOUTH AFRICA

Occupancy performance

The group's South African occupancies for the period reflected 67% compared to 63% in the prior year. A pleasing result overall for the group, which has continued to reflect an upward trajectory. This is against the trend of muted occupancy growth for the industry as a result of the new visa regulations introduced in South Africa among others.

Business travel for the group continued to show gains despite the poor and weakening economic outlook for South Africa and the negative sentiment around the performance of government. Weekend occupancy continues to lag as more and more leisure travellers are being squeezed by rising travel costs such as petrol, toll fees and flight costs, as well as living costs, resulting in less disposable income to spend on leisure travel.

Average daily rates ("ADR")

In line with the ADR of the industry, the group has seen an improvement in current achieved room rates. This improvement is not as significant as for the rest of the industry due to the consistent rates and value for money philosophy of the group over the long term. This philosophy results in more predictability for corporate travellers.

In order to drive occupancy growth over weekends, the group has a number of special rates in place to encourage group and family travel. Our unique auction website, www.bid2stay.co.za, allows guests to bid online for discounted accommodation across our portfolio in South Africa. These rates are particularly competitive for the cost-conscious traveller.

Expanding in South Africa

Good progress is being made on the construction of the 148-room City Lodge Hotel Newtown which is expected to open its first rooms in November 2015 and be fully operational by February 2016.

The construction of the previously announced 90-room Road Lodge Pietermaritzburg has also progressed and is expected to be completed in December 2015.

In April 2015, the group announced the purchase of the Hospitality Property Fund's interest in the Courtyard Hotel brand. As a result of the acquisition, the group is now the sole owner of Courtyard Arcadia and Eastgate and majority owner of Courtyard Sandton and Rosebank.

Keeping our hotels in great shape

Over the past year our refurbishment programme has seen several of our South African hotels receive major upgrades including Courtyard Hotel Eastgate, City Lodge Hotel Bryanston, Bloemfontein, Pinelands and Umhlanga Ridge, Town Lodge Midrand and Road Lodge Germiston, ensuring that we continue to offer world-class accommodation facilities, features and services to our domestic and international guests. This upgrade programme is ongoing with new looks being introduced into City Lodge Hotel GrandWest, Town Lodge Mbombela, Road Lodge Durban and N1 City in the new year.

Continuous focus on quality is maintained at all our hotels through our ongoing maintenance and minor refurbishment programmes.

Guest satisfaction

Guest comments and feedback are received internally by e-mail at info@citylodge.co.za and online through the Rate-Us guest questionnaire, and externally by monitoring posts on various social media platforms, including Hellopeter.com, TripAdvisor, Facebook and Twitter, where all comments are analysed and complaints are attended to.

The Rate-Us questionnaire received total responses in excess of 22 000 during the year, yielding an average customer satisfaction score of 85% (2014: 85%).

Human capital

One of the most important contributors towards the success of our performance as a quality hotel provider is the performance of our people. It therefore goes without saying that a significant amount of emphasis is placed on managing our human capital. We have maintained our profile as an employer of choice by having been reassessed and recognised once again as a bronze level "Investor in People". This recognition is a clear demonstration of our ongoing commitment towards growing and empowering our people and providing clearly defined career pathing and succession planning. This is also evidenced by the following comparative turnover information, which indicates a current level of turnover that is below that of the industry at 7,74% per year.

Year	Voluntary turnover	Involuntary turnover	% of total headcount
2012/13	46	43	8,3
2013/14	57	29	7,8
2014/15	**61**	**24**	**7,7**

The group talent manager, assisted by line management, is responsible for the attraction, development and retention of high-calibre employees. All employees are afforded an annual development appraisal, ongoing assessments (appraisals) and feedback by supervisors. Management ensures that skills and knowledge gaps are identified within current positions. Suitable employees for development into and within supervisory and management levels are acknowledged and proposed for inclusion into succession pools or developed towards such. An emphasis is placed on the development of previously disadvantaged individuals in order to ensure that the group can work progressively towards achieving its employment equity targets.

Training and development

The skills development committee meets at least bi-annually in order to determine the group's skills development requirements.

The committee has been mandated to deal with skills development issues and committee members are therefore knowledgeable with regard to legislation surrounding skills development.
The committee consists of the divisional director: human resources, the group's skills development facilitator, a union representative, shop stewards from the regions, and members of staff from different levels and backgrounds elected by their constituencies.

Use of the e-learning platform, acquired in 2014, has allowed for training spend to be better utilised for content delivery as opposed to the logistics required for face-to-face training such as venue costs, refreshments, travel and accommodation. This is providing the group with an enhanced return on investment on training spend.

The City Lodge Academy, which has formed the basis of the group's efforts to develop a pool of previously disadvantaged management-level employees over the past 15 years, has been disbanded. Our efforts will now rather be focused on providing learnership opportunities, both internal and external, as well as hospitality qualification graduate internships.

The group has a registered skills development facilitator who submits a workplace skills plan annually and reports on training achieved against that plan. All skills levy grants available to the company have been paid out by CATHSSETA for the 2014/15 period.

Training interventions covered training priorities ranging from legislative compliance to management and leadership skills, as well as client service and employee development.

A total of 54 people, equalling the 2013/14 period, were promoted in the group during the year, 71% of whom were female.

African	31	57,4%
Coloured	9	16,6%
Indian	–	–
White	14	26,0%
Total	**54**	**100%**

The comparative report on the next page is aligned with the reporting periods for the Sector Education and Training Authorities, which allows for calendar year reporting and organising of training activities.

	1 January 2014 to 31 December 2014	1 January 2013 to 31 December 2013
% of total payroll spent on training	**3,2**	3,4
% of total payroll spent on training previously disadvantaged employees	**2,7**	2,9
Total number of interventions attended by all employees	**8 736**	6 894
Total number of interventions attended by black employees	**7 391**	5 719
Total number of interventions attended by black female employees	**5 095**	3 852
Total spend on training and development	**R6,1 million**	R6,5 million

In terms of training considered eligible for the pivotal grant, the following highlights are noted:

- Work integrated learning – This opportunity was provided to 89 hotel school students from hotel schools across South Africa, to gain practical experience in the group's hotels pursuant to the completion of their formal learning programmes. This programme not only serves to provide students with the opportunity to gain experience, but also allows the group to assess these students as potential employees for the future.
- City and Guilds qualifications – The group provides its permanent employees with the opportunity to attend these programmes and thereby obtain an internationally recognised qualification. This contributes to the group building a pool of skills for succession planning and assists in career pathing.

The group also provides learnership opportunities to employed and unemployed individuals, and is currently involved in providing learnerships for disabled learners. During the year, another five disabled and previously unemployed learners graduated from our 12-month programme and have all been absorbed into our operations. This year we have registered an additional 20 learners on this learnership, working towards a hospitality reception NQF level 4 qualification.

Employee and industrial relations ("ER and IR")

All ER and IR issues are dealt with in an inclusive manner, with the group preferring to invite participation on all substantive issues that may have an effect on the employment relationship or on employees' conditions of work. The group currently recognises, and has a recognition agreement with one trade union, SACCAWU, which is representative of 20% of total employees and 23% of those occupying positions within the defined bargaining unit.

No days have been lost due to industrial action during the period under consideration.

The group continues to use its programme "high-performance people" as the model for its ER, and courses are held periodically for supervisors and management. This programme is also made available to shop stewards to ensure complete understanding of the company's policies and procedures. In addition, all levels of management are trained in the principles of "managing with intent" to ensure that best practice management techniques are applied within the group.

Labour utilisation

The acquisition of a human resources information system has facilitated a process of gathering more accurate information with regards to the incidence of sick leave and absenteeism in the group.

An analysis of all sick and absent days recorded in the group indicates a loss of 1,45% of all working days available due to sickness and absenteeism during the year.

Sick leave is monitored on an individual basis to ensure that patterns are noted where possible to either ensure assistance and intervention or to take steps where possible abuse is noted. Similarly, incidents of absence are monitored and dealt with through the group's disciplinary procedures.

Health and safety

Although the group's properties do not represent dangerous working environments, all necessary precautions and measures are taken to ensure the safety of our employees. This includes the adherence to strict guidelines in terms of monitoring and implementing health and safety requirements. Each hotel has established a health and safety committee, as well as appointed responsible persons in terms of the Occupational Health and Safety Act.

Compliance with the health and safety policy and legislation is reviewed as part of the internal audit process. In addition, the group maintains its commitment to ensuring that levels of hygiene, compliant with Hazard Analysis of Critical Control Points ("HACCP") legislation, are maintained at all hotels.

The group ensures that all contractors engaged in the delivery of services to the group are equally compliant in terms of their adherence to health and safety requirements.

The following incidents were experienced during the year:

	Number of incidents		
Nature of incident	**2014/15**	**2013/14**	**Outcome**
In the kitchen – food preparation and cleaning	**7**	7	First aid applied and returned to work
Incidents on stairs and in built environment	**3**	7	First aid applied and returned to work
Repairs and maintenance related	**0**	1	
Total	**10**	15	

The year ahead

We remain cautiously optimistic about the prospects for the hospitality industry in our chosen markets, although concerned over the continued sluggish growth in the South African economy. We believe that this assessment is substantiated by the various initiatives on which the group has embarked, which we expect to pay off in the short and medium term. We are excited to open our new hotels in the coming year and are well placed to benefit from increased economic activity in the economies in which we operate.

TO EXPAND OUR FOOTPRINT BEYOND SOUTH AFRICA'S BORDERS

Significant progress has been made in growing our presence in southern and east Africa. During the year wholly owned subsidiaries have been established in Tanzania, Uganda and Namibia, with Mozambique to follow shortly. To cater for the future expansion into these countries, the group has negotiated and secured borrowing facilities to fund the anticipated growth, in addition to its current reserves.

Trading outside South Africa in Gaborone, Botswana has continued to improve as the hotel becomes known in the capital. Weekends (as in South Africa) are, however, generally poorly occupied unless a major event is taking place.

The Kenyan operations continued to reflect declining occupancies for the year under review due to the negative travel advisories from many source markets as a result of the terror attacks and the continuing fallout from the Ebola epidemic in west Africa.

Construction on a 169-room City Lodge Hotel in Nairobi, Kenya is due to commence in September 2015, with expected completion in early 2017. The 147-room City Lodge Hotel in Dar es Salaam, Tanzania is also expected to commence with construction shortly with a similar completion date.

Future expansion

Investigations into opportunities in the rest of Africa have continued during the course of the year. Our international business development manager, together with our chief executive and financial director, have travelled to a number of countries in Africa in order to identify suitable locations and investment opportunities. Where an opportunity is identified, a detailed feasibility is prepared taking into account a number of factors in order to assess the likelihood of a hotel's success. This process is often a lengthy one, and may result in a significant amount of effort being lost if the parties are not able to reach satisfactory agreement on the terms.

Formal agreements are due to be entered into regarding the development of a 150-room City Lodge Hotel in Kampala, Uganda while formal agreements have been signed for a 151-room Town Lodge in Windhoek, Namibia. An agreement has been signed for land to develop a 148-room City Lodge Hotel in Maputo, Mozambique, which should be completed in early 2017.

It is anticipated that our non-South African hotel portfolio will comprise around 20% of our total number of rooms available and contribute 30% to 35% to our revenue once reaching operational maturity.

TO CONTINUE TO TRANSFORM THE GROUP IN LINE WITH B-BBEE CODES OF GOOD PRACTICE

The transformation of the group remains a priority area of focus for us, particularly given the changing B-BBEE landscape within South Africa. The amended Tourism Sector BEE Codes were gazetted in June 2015 by the Department of Trade and Industry ("dti"), with the final version expected to be gazetted ahead of the 31 October 2015 deadline for implementation. The group is currently a Level 3 B-BBEE contributor and is expected to remain at this level when next it conducts its verification. It is anticipated that the group's rating will drop when it is first measured against the revised targets in 2016, however, we remain committed to improving our rating over time.

During the period under review, the group has placed a significant amount of emphasis on educating our suppliers and staff on the effects of the Revised Codes of Good Practice ("RCoGP"), with that having been the focus of the 2014 Executive Leaders' Conference. Software has been acquired to allow the monitoring of our performance against internal and sector targets.

While the majority of our transformation targets are driven centrally, there is a link to our performance appraisal linked ("PAL") bonus scheme, creating accountability at an operational level too.

Current measurement and performance

The group's 2015 Level 3 B-BBEE status, as measured against the Tourism Sector Charter, was verified by National Empowerment Rating Agency and is summarised below. Our continued commitment towards transformation can be seen by the improved score when compared to the previous rating.

Tourism Sector Charter

Scorecard element	Weighting	Score 2014/15	Score 2013/14
Ownership	15,00	**15,00**	15,00
Management control	14,00	**4,66**	4,66
Employment equity	14,00	**8,13**	6,82
Skills development	20,00	**17,42**	17,02
Preferential procurement	15,00	**14,07**	12,84
Enterprise development	14,00	**14,00**	14,00
Socio-economic development	8,00	**8,00**	6,39
Total B-BBEE score	100,00	**81,28**	76,73

Ownership

The group currently has a black ownership percentage of 25,79% and scores maximum points for this pillar. The reweighting from 15 to 27 points and the proposed black ownership target of 30% contained in the revised draft codes will result in the group achieving approximately 16 points out of 27. This forecast may change, depending on the year-end closing share price and the resulting net value in the hands of black people.

Management control

Management control remains the most significant transformation challenge for the group. Due consideration is constantly being given to this area by the board and executive committee. A reweighting and consolidation with employment equity of this pillar for the 2016 measurement will result in this pillar being measured out of 19 as opposed to 14.

Employment equity

The employment equity consultative committee meets at least bi-annually to assess progress towards the achievement of quantitative goals, as well as to consider the qualitative elements which may influence the aforesaid achievement of the goals. The committee is representative of all individuals in the company, and is currently chaired by the divisional director: human resources, who is the senior manager responsible for compliance with the Employment Equity Act, and enjoys the participation of the representative trade union. The lack of a readily available pool of skilled candidates from designated groups at senior and management levels continues to hamper transformation efforts. The group's ability to develop its own pipeline through succession pools and attendant development programmes and the Accelerated Development and Deployment Programme ("ADDP") will, however, mitigate this to a degree in the medium to long term.

The following comparative table displays the company's employee profile as at 30 June 2015 and as at 30 June 2014.

		Male				Female				Foreign nationals		Total
Occupational level	**Year**	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	
Top management	**2015**			**1**	**9**							**10**
	2014			1	9							10
Senior management	**2015**	**3**	**3**		**33**	**1**	**1**		**22**			**63**
	2014	1	2		35	1	1		22			62
Middle management	**2015**	**5**	**2**	**3**	**22**	**16**	**4**	**2**	**19**			**73**
	2014	7	3	3	22	11	3	3	19		1	72
Junior management	**2015**	**35**	**12**	**1**	**23**	**102**	**19**	**1**	**17**			**210**
	2014	34	11	1	25	101	18	2	15	1	1	209
Discretionary decision-making	**2015**	**94**	**9**	**3**	**12**	**171**	**37**	**8**	**58**		**1**	**393**
	2014	127	12	3	13	229	53	6	57	2	3	505
Defined decision-making	**2015**	**112**	**13**		**5**	**179**	**37**			**2**		**348**
	2014	75	11		5	104	18		2	2		217
Total permanent	**2015**	**249**	**39**	**8**	**104**	**469**	**98**	**11**	**116**	**2**	**1**	**1 097**
	2014	244	39	8	109	446	93	11	115	5	5	1 075
Non-permanent*	**2015**	**14**			**1**	**36**	**3**		**4**	**1**	**3**	**62**
	2014	14	2		1	32	4		5	1	4	63
Grand total	**2015**	**263**	**39**	**8**	**105**	**505**	**101**	**11**	**120**	**3**	**4**	**1 159**
	2014	258	41	8	110	478	97	11	120	6	9	1 138

**Including 45 experiential learners*

Skills development

The group continues to perform well with regards to the upskilling of its employees, having been previously recognised for its performance in this area as a top skills developer by the *Mail and Guardian*. The amended codes propose a doubling in the target amount of skills spend directed towards black employees, but the number of points awarded for this pillar remain the same.

Preferential procurement

As a result of the implementation of dedicated B-BBEE software, the process of obtaining and maintaining scorecards from suppliers has improved and will assist the group in proactively managing its supply chain in the changing business environment. In 2016 the targets for this pillar will be combined with enterprise development and the weighting for the enterprise and supplier development category will be increased to 40 points. The total managed procurement spend used for our latest verification was R473,221 million with 79,2% being spent with BEE compliant suppliers.

Enterprise development ("ED")

The group's preferential procurement framework continues to act as a catalyst in identifying ED beneficiaries, and assistance offered to beneficiaries includes loans, human resource capacity and coaching.

A tremendous success story in this area is as a result of the interest-free loan funding provided to Afriboom, our current facility cleaning service provider, some years ago. Through our support this start-up business, which is currently a Level 2 B-BBEE rated generic enterprise, grew from humble beginnings to a national service provider to the group. We further provided similar loan funding and support to the Umzoxolo Conference Centre in Hatfield, Pretoria, to improve the facilities offered to local and government conferences and events. This facility often provides overflow accommodation business to City Lodge Hatfield, which is conveniently located in the same complex. During the year, the group contributed R900 000 in financial support to ED beneficiaries, in addition to the benefits offered to qualifying suppliers for payments within two weeks of invoicing.

Socio-economic development and corporate social investment ("CSI")

We believe that being a responsible and contributing corporate citizen is a key component of our long-term strategy. Through our community investment strategy, we are committed to the empowerment, development and growth of disadvantaged communities. Our social responsibility programme is called "Ubuntu Ba Bantu" and is not only part of the "People Caring for People" philosophy of the group but also fits into the "I'm Kind" initiative of the group.

During the year a number of our hotels and departments have supported their local NGOs and charities as part of this programme. Donations of used linen and towelling, the organising of fund-raising endeavours, staff volunteerism, cash donations and prizes for fund-raising were made, resulting in donations of R3,7 million to these beneficiaries. The donations have made a meaningful difference to these local communities.

e-CSI

Involving our guests in our e-CSI programme gives them the opportunity to choose one of two charities to support as part of the online reservation process. As a result of their election, we donate R5,00 per reservation on their behalf to the beneficiaries of this programme, namely The Hospice Palliative Care Association and Food and Trees for Africa. During the year we contributed R133 000 and R86 000 to these associations, respectively. Food and Trees for Africa used the funds donated to establish and support two food garden projects, which have made a meaningful difference in the lives of the beneficiaries, being Leratong and Mother Touch Academy. The food garden at Leratong, which has been championed by the general manager of the Courtyard Hotel Arcadia, has resulted in sufficient produce being grown to support not only the children at the home but the elderly at another local home too. In addition, a small bakery project has been set up at the home that supplies the Courtyard Hotel Arcadia with biscuits for its guests.

Cuppa-for-Cansa

The group's involvement in this project continues and sees the Road Lodge brand hotels pitted against one another annually to see which hotel can produce the largest contribution for Cuppa-for-Cansa. Proceeds are drawn from hot beverage sales in the public areas. This year, for the second year running, the hotel contributing the greatest amount to the effort was Road Lodge N1 City. The total amount collected in respect of this initiative was R192 000.

In future

Due to the fact that the specific tourism sector requirements are still to be finalised and the delayed implementation of the RCoGP, it is not practical to present targets in this regard.

Management shall continue to focus attention on implementing changes to processes in order to meet the challenges of the revised codes. Further information will be provided in the 2016 Integrated Report.

TO BE A LEADER WITHIN THE HOSPITALITY SECTOR IN ENVIRONMENTALLY SUSTAINABLE BUSINESS PRACTICES

The group acknowledges that it operates in a world which increasingly views environmentally responsible practices as a crucial foundation for business. As such, the group has over the past few years developed and implemented policies, practices and targets for performance in order to reduce our impact on the planet and conduct our operations in a more environmentally responsible way. In order for us to validate our claims about being truly committed to environmental sustainability, the City Lodge Hotel brand has been certified using the Green Leaf Eco™ Standard. This standard is based on Responsible Tourism Guidelines developed prior to the World Summit on Sustainable Development in 2003, are in accordance with the World Tourism Organisation's code of ethics, broad ISO 14001 best practice and the International Hoteliers Environmental Initiative. Although only one brand is certified, several of the initiatives implemented within this brand have been implemented throughout the group. More on these initiatives is included below.

Carbon footprint

In line with previous years, the group completed a carbon footprint assessment for the 12 months ended 30 June 2015. The scope of this year's assessment was consistent with last year except for the fact that it did not include Courtyard Hotel Cape Town, and included City Lodge Waterfall City from January 2015. Total greenhouse gas ("GHG") emissions emitted as a result of operational activities amount to 29 600 (2014: 33 044) tonnes of CO_2 equivalent ("CO_2e").

The reporting methodology follows the reporting principles and guidelines provided by the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol and was performed by an independent third party, Camco Clean Energy.

The boundary of the GHG emissions assessment includes scope 1, 2 and 3 emissions. Third-party deliveries and commuting were excluded from the assessment boundary due to lack of availability of data.

		2015		2014	
Source of emissions	WBCSD Scope	**Total CO_2e (t/yr)**	**Proportion of total CO_2e (%)**	**Total CO_2e (t/yr)**	**Proportion of total CO_2e (%)**
Premises – LPG consumption	Scope 1	**16,6**	**0,06**	29,9	0,09
Premises – Backup diesel generators		**225,4**	**0,8**	101,0	0,3
Premises – Refrigerant gas loss		**65,5**	**0,2**	30,3	0,09
Premises – Fire extinguishers		**0,3**	**0,001**	0,03	0,0001
Subtotal		**307,8**	**1,0**	161,1	0,5
Premises – Electricity consumption	Scope 2	**26 337,5**	**89,0**	30 387,8	92,0
Subtotal		**26 337,5**	**89,0**	30 387,8	92,0
Premises – Water consumption	Scope 3	**220,1**	**0,7**	214,3	0,6
Premises – Waste disposal		**2 395,5**	**8,1**	2 038,4	6,2
Business Travel – Flights		**305,7**	**1,0**	200,6	0,6
Business Travel – Employee-owned cars		**32,9**	**0,1**	41,8	0,1
Subtotal		**2 954,2**	**10,0**	2 495,2	7,6
Total*		**29 599,5**	**100**	33 044,1	100

** Errors due to rounding.*

We are pleased to report that through our ongoing commitment and implementation of resource-efficient technology, we have again been able to control our GHG emissions and carbon footprint.

Specific sustainability focus areas

Energy consumption

In our South African operations, we only use electrical energy generated by the national energy provider Eskom, similarly so in Botswana and Kenya. In order to ensure security of supply, all hotels have backup diesel generators installed for use during power outages. The majority of our consumption is as a result of water heating, air-conditioning, lighting and laundry operations, with the total energy

BUSINESS REVIEW

consumption for the period of 26,3 million kWh. This drives 89% of our carbon footprint and hence was a key focus area in our carbon footprint reduction strategy.

By implementing a sustainable energy management programme, we were able to focus on operational and technical efficiencies. Operationally we continued to evolve our operating procedures and policies and encouraged more sustainable behaviour by our staff and guests through varying print and digital campaigns and training. We completed the roll-out of retrofitting our older hotels with more energy-efficient heat pumps to heat water. Overall savings remain encouraging, with overall consumption in South African operations down 7,8% on last year, and 37,9% compared to the 2010 baseline.

These reductions have translated into the following kWh consumption per occupied room, resulting in electricity costs per room occupied decreasing by 1,4% when compared to the prior period:

Brand	kWh per occupied room (2014/2015)	kWh per occupied room (2013/2014)	Cost per occupied room (2014/2015)	Cost per occupied room (2013/2014)	kWh per available room (2014/2015)	kWh per available room (2013/2014)	Cost per available room (2014/2015)	Cost per available room (2013/2014)
Courtyard	**28,4**	31,7	**R42,94**	R41,00	**15,9**	16,9	**R24,50**	R21,85
City Lodge	**19,0**	21,1	**R22,35**	R22,09	**13,0**	13,7	**R15,26**	R14,31
Town Lodge	**17,5**	19,7	**R23,82**	R23,60	**10,4**	10,8	**R14,17**	R12,97
Road Lodge	**13,3**	15,0	**R18,80**	R19,75	**9,5**	10,1	**R13,52**	R13,32

Water consumption

All water for supplying guest rooms and for use in the laundries and kitchens is drawn from municipal supply, with the exception of our Kenyan hotels where the majority of water is supplied from boreholes. In isolated instances in South Africa, borehole water is used to supplement municipal supply for garden watering purposes. In our endeavour to reduce water consumption, the group has continued our wise water use awareness programmes.

Total water consumption for the period was 634 245 kilolitres. This represents a decrease of 40 951 kilolitres (6,1%) when compared to the prior period, largely due to water saving initiatives being introduced throughout the group.

Some of our existing water-reduction initiatives include communication to guests regarding the wise use of water by making use of showers instead of baths, dual flush toilets and encouraging the reuse of towels and linen. The use of laundry equipment is carefully monitored and staff members are provided with comprehensive training to ensure the correct loading of machines and load planning. During the current refurbishment of City Lodge Hotel Bryanston, City Lodge Hotel Bloemfontein, City Lodge Hotel Pinelands and Courtyard Hotel Eastgate, several of the rooms were converted to shower-only rooms with a fewer number of baths available. This model was used in constructing City Lodge Hotel Waterfall City, and will be rolled out in future new projects in South Africa and the rest of Africa.

Brand	kℓ per occupied room (2014/2015)	kℓ per occupied room (2013/2014)	Cost per occupied room (2014/2015)	Cost per occupied room (2013/2014)	kℓ per available room (2014/2015)	kℓ per available room (2013/2014)	Cost per available room (2014/2015)	Cost per available room (2013/2014)
Courtyard	**0,75**	0,77	**R16,11**	R12,92	**0,42**	0,41	**9,83**	R5,27
City Lodge	**0,43**	0,41	**R7,13**	R6,92	**0,29**	0,27	**4,87**	R4,49
Town Lodge	**0,38**	0,38	**R7,32**	R9,25	**0,23**	0,21	**4,36**	R5,08
Road Lodge	**0,34**	0,35	**R4,95**	R5,85	**0,25**	0,25	**3,56**	R3,94

Waste water

In addition to conserving water, we have a responsibility to manage the quality of water discharged by reducing the consumption and/or controlling the discharge of materials and products that may contaminate water. Some initiatives include the use of biodegradable chemicals and products, the installation of grease traps and making use of salt water chlorinators to maintain hygiene in our pools. A number of alternatives for the introduction of grey water reuse are being considered, for both existing hotels and future projects.

Waste and recycling

While the volume of solid waste generated by the group is relatively low given our selected service product offering, we do leverage opportunities which exist to recycle paper, glass, plastics, aluminium and steel cans, and printer cartridges. As part of our Green Leaf certification the hotels in the City Lodge Hotel brand ensure the sorting of waste on premises and the subsequent recycling thereof, with limited waste to landfill being generated. The implementation of this initiative resulted in 2 203m^3 (48%) less waste being sent to landfill during the year. Various recycling options are currently in operation at hotels in the other brands. We continue to work on cost-effective solutions to reduce waste to landfill within our remaining hotels.

Our goals for the year ahead

In the year ahead we aim to maintain the reduction of energy consumption on a per-room-sold basis. Through our water-saving initiatives we aim to reduce our water consumption on a per-room-sold basis and continue to investigate options around grey water reuse. We aim to reduce our total waste to landfill by 50%. We will also investigate the viability of renewable technologies in the form of photovoltaic solutions for use in selected hotels.

TO MAINTAIN AND IMPLEMENT AN INNOVATIVE TECHNOLOGY PLATFORM

City Lodge has continued to evaluate and embrace certain elements of the evolving technological landscape that we observe within our country and within our industry. Through our group information technology ("IT") function, various initiatives were adopted during the year and the group has made significant progress in implementing some of these advancements successfully.

An enhanced WiFi service offering for our guests

Through a partnership with MTN Business, a new WiFi service offering was implemented in the majority of our South African hotels towards the end of this financial year, with the remaining hotels expected to be completed early in the new year. The service is delivered over a superior fibre or micro-wave network to these hotels, that ensures the offering meets quality, speed and consistency expectations of our guests.

To meet the varying requirements of our guests, two packages are on offer:

1. Our complementary option has been extended to a full 24 hours (instead of the previous one hour or 30 minute offering), and caters for the majority of guest requirements where normal day-to-day activities are provided for in the various limits per brand.
2. A paid-for premium offering, that caters for the needs of high-end users where high bandwidth, data-intensive services are required.

We understand that our guests' requirements will change from time to time. Through our partnership, we will continue to evaluate these requirements in order to ensure that we deliver on their expectations.

Adoption of a new telephony platform

The introduction of the fibre and micro-wave network to our properties has provided an opportunity to introduce some of the latest advancements in telephony. This commenced with the roll-out of a "voice over IP" network. Further considerations include the adoption of cloud-based technologies such as hosted Private Branch Exchange ("PBX"), and evolving the guest in-room telephony options based on industry trends and guest usage.

Deployment of additional uninterrupted power supply ("UPS") units and data centre move

Ongoing regular load shedding in South Africa has necessitated the implementation of UPS backup power support for our IT equipment at each hotel, to preserve the longevity of this equipment.

Recently, the group moved to a new tier-4 data centre to host our core IT infrastructure, which is completely self-sufficient with regards to power generation, resulting in improved IT continuity.

Property management system ("PMS") and central reservation switch ("CRS")

The development of the PMS has reached a significant milestone, with our final user acceptance testing having been finalised. We have scheduled the deployment of the system to conclude in early 2016, with the first four hotels having gone live in August 2015.

The project scope was further extended to include the development of our own CRS system, which will further enhance our internal capabilities to adapt to the changing requirements of our various channels and sources. This system is being tested concurrently with the PMS and is expected to be introduced at the same time of the PMS release.

The enhancement of technologies to assist with various legislative requirements

The revised requirements contained in the Immigration Act and the new requirements with regards to the Protection of Personal Information Act, specifically regarding the collection and maintaining of guest identities and personal information, remain strategic focus areas for our technology function to ensure support of various operational processes. With the roll-out of the new PMS, consideration has been given to the implementation of these requirements, and will continue to remain a focus for our technology function to ensure compliance is achieved.

TO CONTINUE EMBEDDING OUR REFRESHED BRANDS AND REALISE GROWING BENEFITS FROM MOVING FROM AN UMBRELLA TO A CHANNEL MARKETING STRATEGY

Thirty years ago, we pioneered the "selected services" hotel model in South Africa – offering value-for-money accommodation that business and leisure travellers can trust. In doing so, we transformed the business and leisure hospitality market forever, enabling us to become a classic South African brand in cities, towns and along highways. Now, we are extending our reach into selected parts of Africa.

Our founding philosophy, which saw our first hotel open in Bryanston on 1 August 1985, is still with us today and shapes everything that we do as a business across our brands – Courtyard Hotel, City Lodge Hotel, Town Lodge, Road Lodge and Fairview Hotel.

In each of our brands, the target market is slightly different and the products, services, guest experiences and value adds are tailored and made relevant to the specific needs of those particular guests. We are always endeavouring to give guests more of what they want and less of what they don't want. It is all about prioritising and focusing on what our guests really value and reducing unnecessary frills that drive costs up. By doing this, we aim to ensure that hotel accommodation remains affordable and attractive to both domestic and international travellers.

Embedding our refreshed brands

Our brand refreshment exercise that was introduced in 2013 has been extremely well received by our range of target markets. Market research has shown that guests identify more meaningfully with our refreshed brands and have a greater affinity with them. Importantly, our "we value what counts" brand messaging is gaining traction as part of our brand execution strategy.

In the Road Lodge brand, our small things make a difference, tongue-in-cheek approach, is supporting the value proposition. The "We use our one star for what counts" payoff line is resonating with guests who utilise this category of the hotel market. The light-hearted nature of the message has also struck a chord with guests. For our Town Lodge brand, our "stay smart" approach is also proving to be effective.

Within the City Lodge Hotel brand, our "we'll make you feel at home" strategy is reaping rewards. Research shows that our approach of "we're not comfortable until you're comfortable" is paying off and coming through in the perception of our service delivery to guests.

While research shows that some introspection is needed in regard to the four-star Courtyard Hotel brand, plans and strategies are already being considered to slightly reposition the brand to make it more distinctive and more successful in a very competitive sector of the hotel market. The brand refreshment activation at the Fairview Hotel in Nairobi has received excellent feedback from guests.

Ongoing engagement with our guests

Partly due to the fact that we have moved from an umbrella strategy to a channel strategy, our engagement with existing and potential guests has also become more specifically targeted.

Essentially, our aim is for our guests to resonate and identify with our individual brands. We want our guests to grow through our brands as their circumstances change and as they progress and move through their lives. Another aim is to get more young people using and liking our brands, so that they can develop an ongoing relationship with us over the years.

In this social media age, it is gratifying to note that we have passed the 100 000 "likes" mark on Facebook, indicating how central social media has become to guest engagement. Through our digital agency, we ensure that there is a constant flow of information going out on our social media platforms to both inform and entertain our followers.

A "live chat" facility that we have introduced on to our website has enabled a fast, interactive line of communication with our guests. It has also enabled us to increase our interaction with the younger travel market.

Being recognised is always a thrill

It is always a thrill for us when we are recognised by service providers in the industry. Club Travel, one of the country's largest and most respected travel agencies, in early May selected the City Lodge Hotel Group as its supplier of the year in the hotel category. We were up against all the other major hotel groups, so this was a notable accomplishment. Road Lodge Cape Town International Airport also won a special award from Hotels.com for the volume of room nights sold during a year.

Recognition does not only come from commercial partners, but also from worthy causes that we identify with and contribute to in a variety of different ways. Organisations that we support on a regular basis – and who have given us considerable publicity and mileage for this support – include: the MAD Foundation; Food and Trees for Africa; HOSPICE; JoBERG2C; the RAC City Lodge Tough One; Surgeons for Little Lives; the Sunshine Tour; and Tee to Green.

STATEMENT OF COMPLIANCE

Good corporate governance is crucial to sustainability and serves as the foundation upon which the City Lodge Hotel Group conducts its business.

The board, as the focal point of the group's corporate governance system, is ultimately accountable and responsible for the performance and affairs of the company, while at the same time ensuring that the business is run in a responsible, ethical and transparent manner.

In doing so, the board takes guidance from the principles advocated in the King Report on Corporate Governance 2009 ("King III"), the JSE Listings Requirements ("Listings Requirements"), the Companies Act, 71 of 2008 ("the Act") and the International Integrated Reporting Framework. It is satisfied that the company has, for the year under review, complied with the mandatory governance principles contained in the Listings Requirements and applied the recommendations in King III. Details of the group's application of King III compliance can be found on the company's website, www.clhg.com. Where a principle has not been applied, this has been stated and explained.

GOVERNANCE STRUCTURE AND DEVELOPMENTS

Governance processes are continually reviewed to ensure they are appropriately aligned with applicable legislation, regulation and best practice and to identify those areas which the company needs to address, further entrench or improve upon. Initiatives undertaken to enhance the governance framework during the reporting period included:

- A review of the board as well as board and statutory committee charters.
- Reviewing the remuneration philosophy and policy to ensure that they are relevant and aligned with best practice and incorporate the changes effected with regard to long-term incentives.
- Formalising the policy for stakeholder engagement.
- Formulation and adoption of internal audit charter.
- Review and update of IT governance charter.

Areas of focus for the year ahead:

- Maintenance of the group's regulatory universe, including ongoing identification and analysis of applicable legislation, regulation, non-binding rules and best practice and increasing employee awareness in this regard.
- Monitoring and training employees on the impact of the Protection of Personal Information Act ("POPI Act") on the group and data processed by the business units, reviewing and where necessary amending documentation to align with the POPI Act.
- Formalising the policy for gifts.
- Formalising the policy on whistle-blowing.

THE BOARD

Charter

The board operates in accordance with a formally approved charter that ensures that its activities are in conformity with sound corporate governance principles and in compliance with applicable legislation. All board members are aware of their collective, as well as individual, responsibilities.

Monitoring, reviewing and implementing matters of a strategic, financial, non-financial (including governance, compliance, ethics, sustainability and social responsibility) and an operational nature are the board's primary areas of focus. The board takes the lead in guiding the company's strategic direction, ethics, governance processes, operating, financial, as well as non-financial performance.

The charter supports a work plan against which agendas are prepared and which gives guidance as to the timelines against which the board is to discharge its responsibilities.

Structure and composition

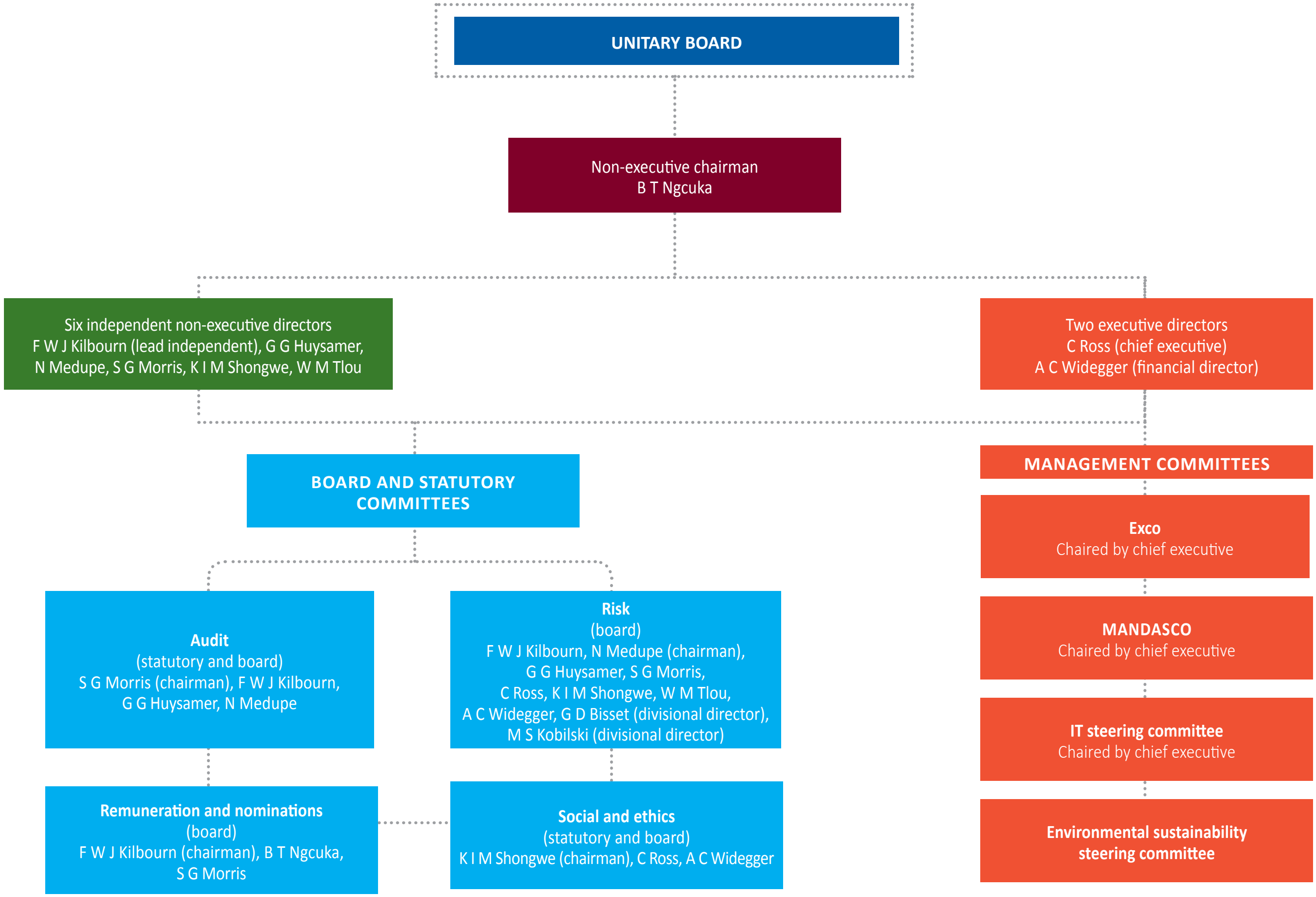
The company has a unitary board, comprising a balance of non-executive ("NED") and executive directors. Of the nine board directors, seven are non-executive, with six of them being independent. The chief executive and financial director serve as the two executive directors on the board.

Each of the NEDs are considered to be individuals of high calibre, with sound credibility, all of whom participate actively in board deliberations and decisions.

Board members possess the requisite knowledge, skills and experience to bring judgement to bear, independent of management.

Following the retirement of Mr Nigel Matthews on 31 December 2014, the board, having reassessed its composition, and with the assistance of the remuneration and nominations committee ("Remcom"), embarked on a process of identifying an additional member.

CITY LODGE GOVERNANCE STRUCTURE



Mr Gideon Huysamer was appointed to the board with effect from 1 January 2015.

Appointment, retirement and rotation

Procedures for appointments to the board are formal and transparent and a matter for the board as a whole, assisted where appropriate by the Remcom.

All potential board appointees are subject to a fit and proper test, in accordance with the JSE Listings Requirements, and all appointments are subject to shareholder approval.

Directors do not have a fixed term of appointment and in terms of the company's memorandum of incorporation ("MoI"), at least one-third of the NEDs retire by rotation at the company's annual general meeting. The directors so retiring may, if eligible, offer themselves for re-election.

Newly appointed directors retire at the first annual general meeting following their appointment and make themselves available for re-election by shareholders.

Brief *curricula vitae* of the directors retiring by rotation and offering themselves for re-election are set out on pages 32 and 33.

The retirement age for an NED is 70, subject to review at the discretion of the board, and 65 for an executive director.

Director independence

The independence of the NEDs, particularly long-serving directors, is reviewed annually by the board. Particular attention is paid to the directors' interest and/or involvement with other companies, number of other directorships, relationships with, *inter alia*, suppliers and competitors and interests in material contracts with the company, and any other factors which may impact his/her ability to act independently.

The board, at its most recent assessment, concluded that all of the NEDs, save for the chairman of the board, are independent and that notwithstanding their length of service, Messrs Kilbourn and Morris, Dr Shongwe and Mrs Medupe continue to contribute to board deliberations in an objective and unbiased manner.

Board leadership

The running of the board and executive responsibility for running the company's business are two critical functions and accordingly the role of the chairman is distinct from that of the chief executive. The separation of these roles ensures that a clear division of responsibilities exists, which is necessary to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Chairman of the board and lead independent director ("LID")

The chairman of the board is responsible for setting the ethical tone for the company, ensuring the integrity and effectiveness of the board's governance processes, acting as the link between the board and management and providing leadership and vision in a manner that will serve to enhance shareholder value and ensure the long-term sustainability of the company.

Mr Bulelani Ngcuka is not considered independent due to his substantial interest in one of the company's BEE shareholders. As a result, and in line with the recommendations in King III and the JSE Listings Requirements, the board has appointed a LID to provide leadership and advice to the board in instances when the chairman has a conflict of interest.

The chairman and LID are elected annually. Messrs Ngcuka and Kilbourn have respectively been re-elected as chairman and LID for the ensuing year.

Chief executive

The chief executive is responsible for the day-to-day management of the company's affairs and is accountable to the board for the implementation of the strategies, objectives and decisions of the board within the framework of the delegated authorities, values and policies of the company.

Board meetings and procedures

Meeting dates are established in advance in respect of each calendar year.

The board works to a formal agenda prepared by the company secretary, in consultation with the chairman. Board packs containing the meeting agenda and relevant supporting documentation are circulated well enough in advance of each meeting to enable the directors to adequately prepare.

Directors who are not able to attend meetings advise the chairman of the board or relevant board or statutory committee, as well as the company secretary accordingly, together with the reason for their absence. Directors who are unable to attend in person may participate via video and/or teleconferencing facilities and, where appropriate, make submissions on matters to be tabled for discussion, which submissions are recorded at the meeting.

Decisions taken between scheduled board meetings, as provided in the company's MoI, are tabled for noting at the subsequent board meeting.

Details of the type and number of meetings held during the year under review, as well as individual director attendance, are set out in the table below.

Board subcommittee and statutory committee and strategy session

	Board	Strategy session	Annual general meeting	Audit committee	Remuneration and nominations committee	Risk committee	Social and ethics committee
Number of meetings	4	1	1	3	3	3	2
G G Huysamer	2◊	1	◊	2◊	~	2◊	~
F W J Kilbourn	4	1	1	3	3	3	~
I N Matthews	2^	^	1	1^	1^	~	~
N Medupe	3†	1	1	3	~	2Δ	1#
B T Ngcuka	4	1	1	~	3	~	~
S G Morris	4	1	1	3	2∞	2§↑	~
C Ross	4	1	1	3*	3*	3	2
K I M Shongwe	4	1	1	~	~	3	1≠
W M Tlou	4	1	1	~	~	3	~
A C Widegger	4	1	1	3*	~	3	1†

* *by invitation*
~ *not a member*
† *apologies*
^ *retired with effect from 31 December 2014*
◊ *appointed to the board and audit and risk committees with effect from 1 January 2015*
≠ *appointed chairman of the social and ethics committee with effect from 1 January 2015*
∞ *appointed to the remuneration and nominations committee with effect from 1 January 2015*
§ *resigned from risk committee with effect from 1 January 2015*
↑ *appointed to risk committee with effect from 1 April 2015*
Δ *appointed chairman of the risk committee with effect from 1 January 2015*
\# *resigned as chairman of the social and ethics committee with effect from 1 January 2015*

Board meeting dates

14 August 2014
13 November 2014
17 February 2015
14 May 2015

Strategy session date

11 May 2015

Annual general meeting date

13 November 2014

Induction and ongoing training and development

To assist them in effectively discharging their responsibilities, directors are afforded the benefit of an induction programme aimed at broadening their understanding of the company and the business environment within which it operates.

The company shares the responsibility of ensuring directors are equipped with the necessary skills to effectively carry out their duties and continuing professional development programmes are available, where required.

Succession plan
The board is responsible for its own succession planning and on an annual basis reviews the succession plans in place for the executive directors and other senior executives.

Information and communication
The directors have access to the advice and services of the company secretary.

Directors may, where necessary, and in accordance with the board-approved policy, seek independent professional advice at the company's expense.

The board has unrestricted access to all company information and senior management to assist them in the discharge of their duties and responsibilities.

Employment contracts
There are no service contracts in place with the NEDs.

The executive directors are full-time salaried employees engaged on the company's standard terms and conditions of employment, which may be terminated on three months' notice. Termination of an executive director's contract of employment will result in resignation from the board. Executive directors do not receive fees for their services as a director on the board or member of the board and statutory committees and, in accordance with King III, they do not retire by rotation at the annual general meeting.

Company strategy
With strategy, risk, performance and sustainability being closely linked, the board assumes responsibility for:

- the formulation, development and adoption of the company's strategic plans and provision of effective leadership and control in terms of the company's strategy;
- satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
- ensuring that the strategy will result in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategic formulation; and
- monitoring management in implementing board plans and strategies.

The company's strategic objectives are assessed annually at the strategy session attended by both the board and executive committee ("Exco"), while progress on the implementation and achievement thereof is reported on at each meeting of the board and Exco.

Evaluation of the board, chairman, chief executive and company secretary

The board
The board annually participates in an online self-assessment as to its effectiveness, the results of which are considered and reported on at a subsequent meeting of the board. Where the results indicate areas requiring remedial action, appropriate measures are put in place. The responses from the evaluation undertaken for the year ended 30 June 2015 indicate that the board is the right size and is well balanced, comprises the appropriate mix of executives and non-executives, has the requisite knowledge, skill and experience from a diverse range of backgrounds so as to ensure that no one individual or block of individuals dominates decision-making, while at the same time promoting objectivity and reducing the potential for conflicts of interest. It was therefore concluded that the board operates effectively and has discharged its responsibilities as required.

The chairman
The LID assesses the performance and leadership of the chairman in an informal manner.

The chief executive
The chairman of the board, in consultation with the NEDs, assesses the performance of the chief executive.

The company secretary
The board, while evaluating her performance, in compliance with the JSE Listings Requirements, considered and satisfied itself as to the competence, qualifications and experience of the group company secretary, Melanie van Heerden. The board furthermore concluded that there is an arm's length relationship between itself and the group company secretary, taking into account that she is not a director serving on the board nor related to a director, and that as a result, the potential for conflict of interest is minimised.

BOARD, STATUTORY AND MANAGEMENT COMMITTEES

Specific responsibilities have been delegated to the board, statutory and management committees, each of which contribute to enhancing good corporate governance and improving internal controls. This, however, in no way relieves the board from discharging its duties and responsibilities, and the board remains ultimately accountable for the performance and affairs of the company.

All board and statutory committees operate within approved terms of reference to assist its members in understanding their roles and works in accordance with an approved work plan, which provides guidance as to when its various responsibilities need to be discharged. The terms of reference of each of the committees were reviewed during the year to ensure that they are aligned with best practice, as well as internal, market, legislative and regulatory requirements.

Each of the board and statutory committees are chaired by an independent non-executive director who reports on the activities and recommendations made by the committee at the board meeting immediately following the committee meeting. Minutes of all committee meetings, save for Remcom (which are available on request), are tabled to the board for noting.

The composition of the board and statutory committees is reviewed regularly to ensure that they each possess the appropriate balance of skills, knowledge and experience to assist the board in effectively discharging its duties and responsibilities. The changes in committee composition effected during the year under review are reflected in the table detailing meeting attendance on page 61.

Each board and statutory committee assessed its effectiveness by completing an online questionnaire and from the results generated it could be concluded that each committee operates effectively and has discharged its responsibilities in terms of its terms of reference at the intervals indicated in the annual work plan.

Any areas identified as requiring improvement are considered and the appropriate measures put in place.

The chairmen of the respective committees attend the annual general meeting in order that they may address any questions shareholders may raise with regard to matters falling within their respective committee mandates.

The chief executive chairs the three management committees established to assist him in the discharge of the responsibilities delegated to him by the board.

Audit committee

The audit committee, which serves as the audit committee for the company as well as its subsidiaries, is constituted, in accordance with section 94 of the Act, as a statutory committee and a board committee in respect of all other duties assigned to it by the board.

Composition

Four independent non-executive directors, all of whom are financially literate and suitably skilled, serve on the committee.

The chief executive, financial director, divisional director: financial, lead external audit partner and internal audit partner attend committee meetings by invitation and participate in discussions, but do not vote on any matters tabled for decision.

Role and responsibilities

The committee assumes responsibility for:

- safeguarding the company's assets, the operation of systems, control processes and the preparation of accurate financial reports and statements in compliance with relevant legal requirements and accounting standards;
- evaluation of the adequacy and efficiency of internal control systems, accounting practices, information as well as the auditing thereof;
- consideration of the internal and external audit process and accounting principles and policies;
- ensuring the independence of the external and internal audit functions; and
- ensuring legislative and regulatory compliance and compliance with applicable codes.

Meetings and activities

The committee met three times during the year under review to:

- examine and review reports to shareholders, including financial and sustainability reports;
- review the annual financial statements, interim reports, accompanying reports to shareholders, preliminary results

announcement and any other announcement regarding the company's results or other financial information to be made public, prior to submission and approval by the board;
- review the internal control structures, including financial control, accounting systems and reporting;
- nominate the registered auditor, including the lead audit partner, review and approve the scope of work and nature and extent of non-audit services;
- monitor and supervise the effectiveness of the internal audit function, including the performance of the internal audit partner;
- ensure that the roles and functions of external and internal audit are sufficiently clarified and coordinated;
- review and approve the annual internal audit plan and fee, and receiving internal audit's written assessment of operational controls;
- receive reports and note the minutes from the risk committee with regard to the policy and plan for risk management and its implementation;
- oversee the implementation of an IT governance framework and ensuring that it aligns with the company's performance and sustainability objectives;
- monitor and evaluate significant IT investments and expenditure;
- ensure that IT forms an integral part of the company's risk management process and ensure that information assets are managed effectively;
- oversee financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting and IT risks as they relate to financial reporting;
- review the results of the self-assessment of the committee's performance;
- pre-approve and monitor the extent of non-audit services provided, which for the year under review represented 38% (2014: 46%) of the total audit fee paid;
- monitor legislative and regulatory compliance and compliance with governance codes and accounting standards (local and international);
- consider and approve the material issues facing the company for inclusion in the Integrated Report and against which reporting will take place;
- approve the annual work plan against which the agenda for committee meetings will be prepared and monitoring progress against it; and
- consider and satisfy itself as to the independence of the external auditors and determining that the reporting accountant is accredited in accordance with the provisions of the Listings Requirements.

The external and internal auditors and representatives from senior management meet, at least annually, with the committee independently of one another to report back on and discuss any issues relevant to the audit process.

During its meeting with management, and in addition to discussion on issues relevant to the audit, the committee evaluated the quality and effectiveness of the external audit function and confirmed its satisfaction with the performance and level of services rendered by the external auditor. The board has, on the recommendation of the audit committee, nominated KPMG Inc. for re-appointment as the company's registered auditor for the ensuing year, with Mr Jacques Wessels as the engagement partner, at the forthcoming annual general meeting.

Both the external and internal audit partners attend the annual general meeting to field any questions raised by shareholders.

Confirmation of the expertise of the financial director

The audit committee, in consultation with the lead external audit partner and internal audit partner, has considered and confirmed the adequacy of the resources, expertise and experience of the finance function, in particular the expertise and experience of the company's financial director, Mr Andrew Widegger, in accordance with the JSE Listings Requirements.

Remuneration and nominations committee ("Remcom")

Composition

Remcom comprises three NEDs, two of whom are independent. The LID chairs the committee and the chief executive attends meetings by invitation, but does not have a vote on matters to be decided upon and does not participate in the decisions taken with regard to his remuneration.

The chairman of the board leads the nomination portion of meetings.

Role and responsibilities

Remcom assists the board in effectively discharging its duties by ensuring that:
- the directors and executives are fairly and responsibly remunerated and that the disclosure in respect thereof is accurate and transparent. Remcom does this by overseeing the implementation

of remuneration policies in relation to NEDs', executive directors' and other senior executives' remuneration and reviewing the outcomes of the implementation of these policies and evaluating whether they promote the achievement of the company's strategic objectives and encourage individual performance. Should circumstances necessitate, Remcom will recommend the necessary improvements to the board;
- other remuneration-related matters, as the board may direct from time to time, are reviewed;
- the board has the appropriate composition, in terms of size, mix, knowledge and experience;
- there is a formal process in place for the appointment of directors;
- induction and ongoing training and development of directors takes place; and
- formal succession plans for the board, chief executive and senior executives are in place.

Meetings and activities

Three meetings were convened during the year under review for purposes of:

- reviewing the Exco's remuneration packages in accordance with the company's approved remuneration policy, which included mandating a third-party service provider to conduct a benchmarking exercise and assist in the formulation of a recommendation to the board;
- determining, following review of associated performance criteria, the short-term and long-term incentive awards;
- considering the succession plans in place for the Exco as well as the company's organisational structure;
- considering the consolidated results of the annual self-assessment of the committee's performance;
- receiving and approving the committee's annual work plan against which the agenda for committee meetings is prepared to ensure that the committee attends to all matters falling within its mandate;
- considering management's proposals regarding NEDs' fees, for recommendation to the board and subsequent approval by shareholders, which included mandating a third-party service provider to conduct a benchmarking exercise on NED fees; and
- reviewing the company's remuneration policy, for tabling at the annual general meeting of the company by way of a non-binding advisory vote.

Details of how the Remcom discharged its responsibilities are set out in the remuneration report.

Risk committee

Risk appetite and tolerance are fundamental concepts setting the context for determining the group's strategic objectives and is informed by the group's risk culture and details the risks the group can or is prepared to take and which are to be avoided.

Composition

Six independent non-executive directors, two executive directors and, due to the highly operational nature of the committee, two-divisional directors make up the 10-member committee.

Role and responsibilities

The committee is responsible for ensuring that an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives has been implemented. Exco and the IT steering committee assist the committee in its initiatives.

The committee's key focus areas are the management, rather than elimination, of risk, and ensuring comprehensive, timely and relevant disclosure with regard to risks facing the company.

While the committee assumes responsibility for overseeing the risk management programme in place for the group, management is responsible for identifying, evaluating and managing the risks. This entails identifying and evaluating strategic and operational risks, putting the necessary mitigating strategies in place, allocating responsibility, formulation of a risk management plan and monitoring compliance against the plan.

Meetings and activities

Three meetings took place during the year under review to:

- perform the annual review of the group risk register, which includes:
  - considering whether any issues have come to light that impact the risk profile of the company which would result in an amendment of the risk register;
  - identifying opportunities where effective risk management can be turned into a competitive advantage;
  - where appropriate, the re-ranking of existing risks;

- confirm its satisfaction with the effectiveness of the risk management system and processes in place and that the risks facing the company are being addressed appropriately;
- receive the chief executive's report on the status with regard to key risks facing the company;
- consider the governance, the legal and compliance reports, incorporating calls to the Business Abuse Alertline, at intervals where the social and ethics committee does not sit;
- consider uninsured and uninsurable risks and adequacy of cover;
- consider the consolidated results of the annual self-assessment of the committee's performance; and
- approve the committee's annual work plan against which meeting agendas are prepared.

Refer to material issues for further details on the material risks the company faces.

Social and ethics committee ("SEC")

The SEC is constituted as a statutory committee to discharge the duties as contemplated in Regulation 43 of the Act and as a board committee in respect of the responsibilities delegated to it by the board.

Composition

The chairman, an independent non-executive director, and two executive directors serve on the three-member committee.

The group company secretary and representatives from the various functions responsible for managing the subject matter falling within the remit of the SEC assist the SEC in discharging its responsibilities.

Although the committee meets the Act's requirements regarding its constitution, it does not meet the King III recommendation for a majority of the committee members to be non-executive directors. The committee confirms that it is comfortable with the current membership, given that a significant portion of the matters falling within its mandate are operational.

Role and responsibilities

The committee assumes responsibility for ensuring the group is and remains a responsible corporate citizen with sustainable business practices. Its statutory functions, in terms of the Act, and other functions delegated to it by the board include:

- social and economic development;
- good corporate citizenship;
- issues around the environment, health and public safety, including the impact of the company's activities and services;
- consumer relationships;
- management of the company's ethics; and
- labour and employment, including transformation.

Meetings and activities

Two meetings were held during the year under review for purposes of considering:

- Socio-economic development including the company's standing in terms of:
  - The 10 principles set out in the United Nations Global Compact Principles

    Although not a signatory, the group has adopted the 10 principles and monitors and reports on compliance on human rights, labour, anti-corruption and environmental matters.
  - Human rights

    The group ensures that it protects and upholds human rights wherever it is able to control such. By way of example, the group supports and adheres to "the code", a compact between members of the international tourism industry that deals with the awareness of its staff with regard to issues and circumstances prevalent in the practices of human trafficking and child sex tourism.

    While the group is not complicit in human rights abuses, it does not vet its suppliers in this regard. It also does not believe this is necessary in the context of its operations and profile of suppliers.
  - Freedom of association

    The group upholds freedom of association and the effective recognition of the right to collective bargaining.

    The group continues to recognise and bargain with the trade union, SACCAWU. All staff (up to supervisory level) in the deemed "bargaining unit" may belong to the union from a bargaining perspective. Although any other level of staff member may belong to the union, they are not covered by any bargaining gains made by the union.
  - Forced or compulsory labour

    The group supports the elimination of all forms of forced or compulsory labour and has no exposure to such practices. Suppliers are not vetted in this regard as the group is of the opinion that this is not necessary in the context of its operations and the profile of its suppliers.

   - Abolition of child labour
     The group supports the abolition of child labour by ensuring that no minors are employed. It is a condition of employment that all employees provide proof of age upon commencement of employment.
   - OECD recommendations regarding corruption
- Activities associated with good corporate citizenship including the promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution towards community development in the areas within which it operates and record of sponsorship, donations and charitable giving.

  In this regard it is to be noted that:
   - no judgments, penalties and/or fines were recorded and/or levied against the company or its directors for failure to comply with any legislative or regulatory requirement; and
   - no requests for information under the Promotion of Access to Information Act were received during the year under review.

  A record of sponsorship, donations and charitable giving is detailed on page 52.

  The company operates a 24-hour Business Abuse Hotline which is independently managed by Employer's Mutual Protection Services Proprietary Limited. The hotline affords all stakeholders the opportunity to anonymously report perceived cases of unethical or corrupt behaviour. All reports to the hotline are investigated and, where appropriate, action is taken.

  Four calls were logged during the year under review, all of which were investigated. The majority of the calls were found to be internal grievances and were dealt with in accordance with the company's internal grievance procedure.
- The group's labour and employment practices, including its standing in terms of the International Labour Organisation Protocol on decent work and working conditions, its employment relationships and contribution toward employee educational development.
- Progress made with regard to transformation, taking the Employment Equity and Broad-Based Black Economic Empowerment Acts into account.
- The group's compliance with applicable legislation, regulation and codes of good practice.
- Environmental sustainability practices, in particular three of the UN Global Compact Principles relating to supporting a precautionary approach to environmental challenges, supporting greater environmentally friendly technologies.
- Consumer relationships, including advertising and public relations and stakeholder engagement.

The committee's report detailing its activities and how it has discharged its responsibilities in this regard appears on page 80.

Executive committee ("Exco")

Exco is the most senior executive decision-making body within the group and comprises 10 members. Five meetings took place during the year under review for purposes of:
- overseeing and managing the company's operations;
- developing and making recommendations to the board with regard to the company's strategy and key policies, including the implementation and progress towards the achievement thereof;
- providing effective leadership to the company's employees;
- developing and presenting budgets and financial reports for subsequent submission to the board; and
- developing, implementing and monitoring governance, compliance, sustainability, risk management, internal control processes and ethics,

all of which assist the chief executive in discharging the obligations delegated to him by the board.

Management development and succession committee ("MANDASCO")

MANDASCO comprises seven members, all of whom are Exco members, and assumes responsibility for ensuring that:
- effective management development practices are in place within the group and that they are aligned with the group's business needs and human capital requirements;
- the company is able to meet its employment equity and transformation objectives through the attraction and retention of the appropriate level of talent; and
- an adequate succession pool and talent pipeline is maintained.

The committee met five times during the year under review in order to discharge its responsibilities in relation to:

- maintaining an adequate succession pool and talent development plan:
  - through the identification of suitable candidates to populate the respective succession pools and for participation in the accelerated development and deployment programme ("ADDP");
  - by compiling, executing and monitoring individual development plans for succession pool and ADDP members to enable them to reach their full potential and develop the requisite skills and expertise necessary to suitably qualify them for the position for which they are being developed; and
  - by deploying succession pool and ADDP members to fill positions for which they have been developed, as and when they become available;
- transformation initiatives, specifically the achievement of the targeted employment equity levels, by identifying individuals for participation in the succession pools and ADDP, and monitoring the progress of existing candidates.

The programmes in place saw the following appointments being made during the year under review:

- General manager: one succession pool candidate and three ADDP candidates;
- Assistant general manager: three succession pool candidates and one ADDP candidate, a decrease from the prior year, but due to, *inter alia*, fewer positions becoming available, inability to place suitably qualified members due to employment equity plan, as approved by Department of Labour and constraints in relocation.

IT steering committee ("ITSC")

IT governance is integrated into the business and is fundamental to support, sustain and grow the business. IT is an important enabler both in the enhancement and advancement of the company's objectives and position as a leader in its field.

The board is responsible for IT governance and ensures that IT is aligned with and supports the company in the achievement of its goals. The audit committee assists the board in the discharge of its responsibilities in this regard. Responsibility for development and implementation of frameworks and processes to ensure appropriate IT governance within the group has been delegated to the ITSC.

Composition

Representatives from the various divisions within the company that have an impact on and/or are impacted by IT serve on the nine-member committee.

The ITSC operates within an approved terms of reference incorporating an IT governance framework, which details how current and future use of IT is directed and controlled within the company.

The ITSC also assumes responsibility for consolidating feedback relating to the performance of IT within the company, such that reactive or proactive steps may be taken to ensure that the company is obtaining the maximum value from IT, while at the same time managing its risks.

The ITSC is responsible for:

- ensuring the organisational structures, relationships, frameworks and processes relating to IT are in place;
- ensuring that IT is aligned with the company's business strategy;
- delivering value by IT to the business by optimising expenses and improving the value of IT, which in turn translates into:
  - competitive advantage;
  - customer satisfaction;
  - employee productivity; and
  - profitability;
- IT resource management;
- management of IT-related risks and addressing the safeguarding of IT assets, emergency response, disaster recovery, and business continuity; and
- IT performance management.

ITSC meetings are structured around the responsibilities falling within the remit of the ITSC and report backs are provided to the Exco, the audit committee as well as the board.

The committee met five times during the year under review to:

- ensure that the company's IT initiatives and proposed projects assist the company in the achievement of its strategic and business processes;
- monitor and evaluate significant IT investments in ongoing operational activities and projects;
- implement processes that ensure that information assets are managed effectively;
- monitor and measure IT performance; and
- oversee the process around the development of the bespoke hotel management system.

The achievements of the committee appear on pages 55 and 56.

The board is satisfied that IT governance is being addressed appropriately and is suitably aligned to the achievement of the company's objectives.

INTERNAL AUDIT FUNCTION

The company's internal audit function is outsourced to KPMG Services Proprietary Limited.

Although administratively accountable to the divisional director: financial, the internal audit function has unrestricted access to the chief executive, the financial director and chairman of the audit committee.

Reports, prepared in accordance with a defined set of audit criteria highlighting audit area ratings per hotel and summarising internal audit activities, are presented at each audit committee meeting. Where significant weaknesses in internal controls are identified, corrective action is taken and, if deemed appropriate, a follow-up audit may be conducted.

Based on the results of the 17 internal audit reviews completed during the financial year ended 30 June 2015, which yielded an overall average level of compliance with the key controls tested of 87% (2014: 84%), the internal audit function and the audit committee concluded that the overall internal control effectiveness is good.

The audit committee is responsible for reviewing the effectiveness of the internal audit function so as to ensure adequate, objective internal audit assurance standards and procedures exist and annually approves the internal audit plan and fee for the ensuing year. Internal audit also undertakes special assignments, including risk-based reviews, where mandated by the audit committee.

Two risk-based reviews were undertaken and completed during the year under review. The first covered the development of a formal internal audit charter, which has since been adopted, and the second an IT control review. The risk management effectiveness assessment, which commenced in the prior year, was completed and concluded that the company implements a robust risk management process with the majority of the principles and recommendations contained in King III having been applied.

The audit committee upon assessing the independence of the internal audit function has concluded that, notwithstanding KPMG acting as internal and external auditors to the company and taking the ratio of fees between non-audit services (including internal audit fee) and audit services into account, it is satisfied that the independence of the function has not been compromised.

COMPANY SECRETARY

The appointment and removal of the company secretary is a matter for the board as a whole. In addition to her responsibilities as espoused by the Act and serving as the central source of information and advice to the board and within the company on matters relating to good governance and applicable laws, the company secretary assumes responsibility for the effective administration of all board, committee, company-related and, where applicable, shareholders' affairs and proceedings.

DEALING IN SECURITIES AND INSIDER TRADING

Directors and the group company secretary must, as provided in the JSE Listings Requirements and the board-approved policy on dealing in company securities, obtain prior written clearance from the chairman of the board before dealing in City Lodge shares during an open period. The chairman of the board requires prior written clearance from any other designated director.

All dealings in securities are effected through the office of the company secretary who assumes responsibility for the enforcement of the policy, maintains a record of requests for dealing and clearances which, with regard to directors' dealings, is tabled at each meeting of the board, and arranges for the publication of the relevant announcement via the company's sponsor on the JSE's Securities Exchange News Service.

Directors, the company secretary and senior employees are prohibited from dealing in the company's securities during closed periods as defined by the Listings Requirements and at any time when those persons possess inside information.

CONFLICTS OF INTEREST AND OTHER DIRECTORSHIPS

Directors declare their interests in contracts entered into or to be entered into, in compliance with the provisions of the Act, and provide details of other directorships annually, by written declaration, and quarterly at each board meeting.

Directors must recuse themselves from deliberations on those matters where they are, or may potentially be, conflicted after they have provided any material information relating to the matter or known to them or if requested to make any observations or pertinent insights relating to the matter, by the other directors.

Executive directors may, with the chairman's permission, having due regard to whether the appointment may conflict with the business of the company and/or have a negative impact on the director's ability to effectively meet his/her responsibilities, accept external board appointments.

NEDs are required to consult the chairman with regard to their external appointments in order to ensure that, notwithstanding additional external board appointments, he/she will continue to be able to devote sufficient time to the company.

The chairman of the board is satisfied that, during the year under review, the NEDs have devoted the requisite amount of time to discharge their responsibilities to the company and that no director has a material interest in any contract entered into by the company.

Exco also subscribes to the practice of disclosing interests in other companies, board memberships and interests in contracts at the beginning of each Exco meeting in addition to making an annual written declaration in this regard.

STAKEHOLDER ENGAGEMENT

The company acknowledges the importance of acting with integrity towards its various stakeholders, details of which are provided on page 10, and is committed to providing timely, transparent, consistent, relevant and credible information.

The board, which assumes overall accountability for stakeholder relations, has delegated responsibility for proactively dealing with the group's various stakeholders to the executive and divisional directors, company secretary, hotels and outsourced public relations function.

LITIGATION

The company is, in the ordinary course of business, subject to legal proceedings, which for a number of reasons cannot be reliably predicted.

The company is not and has not during the year under review, been involved in any legal or arbitration proceedings that will or may have a material effect on the operations or financial position of the company, nor are there any such known proceedings pending.

REMUNERATION GOVERNANCE

This report details City Lodge's philosophy, principles and approach with regard to remuneration, highlighting remuneration applicable to executive directors, senior executives and NEDs, as well as its implementation during the year.

Remcom assumes responsibility for and oversees the governance of remuneration matters. It is specifically responsible for ensuring that the company remunerates its executive directors and senior executives fairly and responsibly, and that the remuneration policies in place serve the company's long-term interests. Remcom accordingly reviews the remuneration policy on an annual basis.

Remcom considers management's recommendations and in turn makes recommendations to the board on the fees payable to the NEDs, which recommendation is subject to shareholder approval.

Specifics with regard to the composition, role, responsibilities and activities of the committee and remuneration policy are set out on pages 64 and 65 and 74 to 79.

Executive director and senior executive remuneration (collectively "Exco")

The company appreciates that in order to attract, motivate, engage and retain the talent required to achieve its overall business objectives, it must offer market-related and competitive remuneration packages.

Having considered the provisions of the Act with regard to the disclosure of the remuneration of directors and prescribed officers and the definition of prescribed officer, the board has concluded that Exco members are deemed prescribed officers and that the disclosure requirements around remuneration be observed.

Exco members are formally graded using the 21st Century Pay Solutions Execu-measure system ("Execu-measure"), as well as in terms of the Patterson grading model in an effort to ensure effective benchmarking.

In carrying out its mandate to promote fair and responsible remuneration, Remcom engaged the services of 21st Century Pay Solutions to benchmark and advise on the level of pay for Exco.

Exco remuneration comprises:

- Fixed
  - Monthly salary
  - Medical aid
  - Retirement funding
  - Death and disability benefits.

  During the year, Remcom authorised Exco total cost of employment ("TCOE") increases, effective 1 August 2015, of between 7% and 8,5%, which averaged out at 7,4%, as a result of higher increases being awarded to certain packages which were found to be lagging the market.

  The board, on recommendation of Remcom, approved a general salary increase of 7%.

- Variable pay
  - Short-term incentive ("STI")
    Exco and management are eligible to receive an STI, in terms of either the Executive Committee Performance Management Scheme ("ECPMS") in the case of Exco, or the Executive Director Incentive Framework ("EDIF") in the case of the executive directors, subject to meeting predetermined criteria.

ECPMS

Financial (average collective Performance Appraisal Linked Bonus Scheme ("PAL") scores of all the group's hotels) measures make up 65% of the STIs payable and are measured and paid bi-annually and non-financial (personal KPAs) performance criteria make up the remaining 35% and are measured over a 12-month period and paid once a year.

Targets for measuring the achievement of the non-financial performance criteria are individually set and are determined in advance of the commencement of an incentive period, in consultation with the chief executive.

Bonus capping: 50% of TCOE.

The PAL bonus portion achievable

Overall PAL scale	Bonus % of half annual
65% – 68%	10%
69% – 72%	12,50%
73% – 76%	16,25%
77% – 80%	24,50%
+80%	32,5%

BUSINESS REVIEW

Table explanation:

- If the group achieves an average PAL score below 65% then the payout percentage is 0% of 50% of TGP.
- If the group achieves an average 65% to 68% PAL score for the relevant six-month period then the payout percentage is 10% of 50% of TGP (Total Guaranteed Package).
- If the group achieves an average 69% to 72% PAL score for the relevant six-month period then the payout percentage is 12,5% of 50% of TGP.
- If the group achieves an average 73% to 76% PAL score for the relevant six-month period then the payout percentage is 16,25% of 50% of TGP
- If the group achieves an average 77% to 80% PAL score for the relevant six-month period then the payout percentage is 24,5% of 50% of TGP.
- If the group achieves an average 80% PAL score, or greater, for the relevant six-month period then the payout percentage is 32,5% of 50% of TGP.

Measurement periods:	1 July to 31 December and 1 January to 30 June
Measurement dates:	31 December and 30 June
Payment dates:	February and/or August

The KPA bonus achievable

A point scale of 0 to 7 points per KPA will be utilised to measure achievement against each set and agreed KPA.

Below target threshold	0 points
Target threshold	1 point
On-target	5 points
Stretch target	7 points

Measurement period:	1 July to 30 June
Measurement date:	30 June
Payment date:	August

EDIF

Financial (65% of TCOE) as well as non-financial (35% of TCOE) drivers are measured for purposes of determining annual bonuses to be awarded to the chief executive and financial director.

Financial measure

Financial drivers comprise the weighting assigned to the group pool drivers, namely normalised group EBITDA (70%) and normalised fully diluted HEPS (30%), with the percentage target performance scale reflecting a bonus rating of 75% if the percentage target achieved is 85% for EBITDA and 90% for HEPS.

The percentage threshold performance scale will reflect a bonus rating of 100% if the percentage target achieved is 100% for both EBITDA and HEPS. The percentage stretch performance scale will reflect a bonus rating of:

- 175% if the percentage target achieved is 110% for EBITDA and 115% for HEPS; and
- 250% if the percentage target achieved is 115% for EBITDA and 130% for HEPS.

Non-financial measure

Non-financial drivers include, but are not limited to, the achievement/progress made towards the achievement of the strategic objectives, group performance against peers/competitors, increase in profit and completing projects within budget and/or prior to deadline. The 2014/15 non-financial measurement is a combination of some of the strategic objectives as per the board mandate and other key performance drivers of the business, including growing ROE.

Scale used in evaluating achievement:

- Threshold target percentage achieved = 80% of each driver
- On-target percentage achieved = 100% of each driver
- Stretch target percentage achieved = 120% of each driver.

Bonus capping: 120% of TCOE

- Long-term incentive (“LTI”)
  - Share Appreciation Right Scheme (“SAR Scheme”)

    The salient features of the SAR Scheme, as approved by shareholders and in line with the JSE Listings Requirements, are detailed in the remuneration policy on pages 76 and 77.

Performance conditions for 2015 grant

Threshold performance condition
Average annual percentage growth in normalised fully diluted headline earnings per share (“HEPS”) (as reported in the published annual financial statements for the year ended 30 June 2015, being 759,9 cents) over a three-year period exceeds the average annual growth in the consumer price index (“CPI”) per annum over the same three-year period.

Target performance condition
Average annual percentage growth in normalised fully diluted HEPS (as reported in the published annual financial statements for the year ended 30 June 2015, being 759,9 cents) over a three-year period exceeds the average annual growth in CPI plus 2% per annum over the same three-year period.

Vesting
25% of the SARs will vest if the threshold performance condition is satisfied and 100% of the SARs will vest if the target performance condition is satisfied. Linear vesting will occur between the threshold and target performance.

2010 SAR Award
The performance conditions imposed for 2010 grant have, following the second and final retest, been met and accordingly vest.

2012 SAR Award
The performance conditions imposed for 2012 grant have been met and accordingly vest.

– Restricted Share Plan (“RSP”)
The salient features of the RSP, as approved by shareholders and in line with the JSE Listings Requirements, can be found in the remuneration policy on pages 76 and 77.

Awards granted during the reporting period
Details of awards of RSP bonus shares to Exco can be found on page 118.

Performance conditions
No performance criteria other than the earning of a cash bonus as measured against the defined performance criteria of the STI and continued employment with the company.

Vesting
RSP bonus shares vest after three years, provided the participant is still in the employ of the company.

Details of the shares released to Exco following the vesting of restricted shares awarded in 2011 can be found on page 119.

Refer to note 18 for more detail on executive director and senior executive remuneration.

Non-executive directors (“NEDs”)
The fees currently paid, as approved by shareholders at the annual general meeting held on 13 November 2014, together with the proposed fees for the 2015/2016 financial year, reflecting increases in fees payable ranging from 7% to 20,9%, are detailed hereunder.

	1/7/2015 per annum	**1/7/2014 per annum**
Services as a director	**200 000**	R165 750
Chairman of audit committee	**145 000**	R135 500
– Other audit committee members	**66 900**	R62 500
Chairman of remuneration and nominations committee	**128 400**	R120 000
– Other remuneration and nominations committee members	**57 450**	R53 700
Chairman of risk committee	**99 500**	R93 000
– Other risk committee members	**44 950**	R42 000
Chairman of social and ethics committee	**65 050**	R60 800
Chairman	**830 000**	R775 500
Lead independent director	**260 000**	R215 000
Temporary/*ad hoc* committee	**Per hour R1 765 capped at R35 300**	Per hour R1 650 capped at R33 000

BUSINESS REVIEW

The board, having considered both the King III recommendation that NEDs' fees comprise a base fee as well as an attendance fee, and attendance by the NEDs over the past year, has determined not to change the current policy with regard to NED fees. Accordingly it recommends that NEDs continue to be paid a fixed fee for their services on the board and committees.

Statement of compliance

Remcom, having considered the principles and guidelines detailed in the remuneration policy, is satisfied that there has been no material deviation in the application of the policy during the year under review.

REMUNERATION POLICY

The remuneration policy, which is to be read in conjunction with the employee's letter of appointment, employee handbook containing the company's code of conduct, applicable employment legislation and the rules of the short-term and long-term incentive schemes, will be tabled to shareholders for a non-binding advisory vote at the annual general meeting scheduled to take place on 12 November 2015.

Reward philosophy and strategy

Reward philosophy statement

City Lodge's policy is to pay a market rate comparable to similar roles within the market and aims to set its guaranteed pay at the upper quartile in respect of Exco members, and between the mean and upper quartile within a normal distribution range of the relevant industry (hotels and hospitality) in respect of the remaining employees.

City Lodge is committed to developing, implementing and upholding total reward strategies and practices which:

- are consistent with, and aligned to the vision, mission, values and business objectives of the company;
- pursue the best interests of the company, its shareholders, and its internal and external stakeholder base;
- offer an appropriate mix of fixed remuneration and variable remuneration, which includes short-term and long-term incentives;
- are fair, equitable and justifiable;
- are market related;
- are driven by, and show a commitment to, rewarding performance, integrity and quality innovation;
- offer competitive benefits; and
- articulate a distinctive value proposition for current and prospective employees.

Total reward strategy and remuneration mix

City Lodge's total reward strategy is aimed at:

- providing an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired business results;
- aligning reward practices with business strategy through a process of analysis, and thereby ensuring that the company's reward practices serve the business objectives; and
- adhering to legal, ethical and best practice standards, and reflecting good corporate governance and citizenship by complying with and exceeding industry and statutory minimum standards.

The company's remuneration structure comprises:

- Fixed pay (total guaranteed package)
  - monthly salary
  - retirement funding
  - medical aid
  - death and disability cover
- Variable pay (short-term and long-term incentives, which promote a pay-for-performance culture)
  - Short-term incentive

    The STI aims to reward the achievement of business objectives

    Performance Appraisal Linked Bonus ("PAL") – senior management, hotel management and head office management

    Purpose

    To create a performance culture and reward employees for achieving strong annual results when compared against predetermined targets (the 12 fundamentals; mystery guest programme; cross-selling on wide area network; management of profitability; administration controls; occupancy; and transformation).

    Payout

    The standard target payout level is generally expressed as a percentage of salary and then moderated by the performance score.

    Timing and payout

    Achievement of the PAL targets is assessed bi-annually during January and February for the period July to December of the previous year and during July and August for the period January to June, with payouts usually being made in February and August respectively or as soon as practically possible thereafter.

Bonus achievable

Scale (total PAL score of 100%)	Assistant GMs – bonus % – half-yearly annual salary	GMs – bonus % – half-yearly annual salary	Head office management – bonus % – half-yearly annual salary	EXCO – bonus % – half-yearly total cost to company	CE and FD – bonus % – annual salary
65% – 69%	2,50	5,00	Group average up to a maximum of 40%	Financial element (65%) – PAL group average. Non-financial element (35%) Total STI capped at 50%	Financial element (65%) – achievement of HEPS/ EBITDA up to 60% for on-target performance capped at 120% of total GP
70% – 74%	5,00	10,00			
75% – 79%	8,75	17,50			
80% – 84%	12,50	25,00			
85% – 89%	16,25	32,50			
90% – 95%+	20,00	40,00			

Executive Committee Performance Management Scheme

Purpose
To drive the value drivers that will sustainably grow shareholder value.

Performance measures
Financial targets measured with reference to the group average achieved for PAL. Non-financial measures comprise individual key performance areas ("KPA") which in turn have reference to the group's strategic objectives.

Payout
Achievement of the financial targets is assessed bi-annually with payment usually being effected in February and August, or as soon as possible thereafter. Assessment of the KPA takes place annually following year-end and payment is usually effected in August or as soon as possible thereafter.

Bonus achievable
50% of GP.

Executive Director Incentive Scheme ("EDIS") – executive directors

Purpose
To drive the value drivers that will sustainably grow shareholder value.

Performance measures
Financial targets measured with reference to group normalised EBITDA and normalised fully diluted HEPS and non-financial measures being the achievement, alternatively progress made, towards the achievement of strategic objectives and group performance against peers/ competitors.

Payout
Achievement of the targets is assessed annually, with reference to the prior financial year and its payment usually effected in August or as soon as possible thereafter.

Bonus achievable
The financial measures have been assigned a weighting of 65% of guaranteed package and the non-financial measures a weighting of 35% with the maximum bonus capped at 120% of the executive directors' guaranteed package.

– Long-term incentive ("LTI")
City Lodge currently has the following LTI plans in place, each of which is governed by its own set of rules:

	Share Appreciation Right Scheme ("SAR Scheme")	Restricted Share Plan ("RSP")
Description	Participants receive a conditional right to receive shares in the company, equal to the difference between the exercise price and the grant price, multiplied by the number of SAR awards exercised.	Participants receive a full share and become shareholders on the award date, but subject to forfeiture in the event that they leave the employment of the company within a specified period. These shares entitle participants to share in dividends and to exercise voting rights.
Purpose	To attract, retain and incentivise employees.	To attract, retain and incentivise employees. The RSP was initially used as a retention mechanism or as a tool to attract prospective employees, but is now being used as a tool to incentivise employees.
Eligibility	Executive directors, divisional directors, senior management.	Executive directors, divisional directors, senior management, head office management, hotel management.
Company limit	The aggregate number of shares which may be allocated under the SAR Scheme and RSP at any time may not exceed 2 997 074 shares and excludes shares purchased in the market and shares forfeited.	
Individual limit	The maximum number of shares which may be allocated to any one individual in respect of unvested SAR Scheme and RSP awards may not exceed 428 154 shares.	
Settlement method	The preference of the company is to settle all awards under the SAR Scheme and RSP from a market purchase of shares. However, the rules of the LTI plans do cater for the following: • Market purchase of shares. • Issue/subscription of new shares. The rules of the RSP have been drafted wider to also include the use of treasury shares as a settlement method. As a fall-back provision only, the employee may be paid cash *in lieu* of shares ("SAR Scheme").	
Termination of employment	Participants terminating employment prior to the vesting date (exercise date in the case of the SAR Scheme) of a particular award will be classified as good or bad leavers. Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a *pro rata* portion of all unvested awards will vest on the date of termination of employment. The *pro rata* portion will reflect the number of months served since the date of grant and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse. In the case of the SAR Scheme, all vested awards should be exercised within six months from the date of termination of employment.	
Change of control	In the case of a change of control, a *pro rata* portion of all unvested awards will vest on the date of termination of employment. The *pro rata* portion will reflect the number of months served since the date of grant and the extent to which the performance conditions have been met. The portion that does not vest early will continue to be subject to the terms of the letter of grant unless these are no longer considered appropriate, in which case Remcom shall make an adjustment to the number of awards.	

	Share Appreciation Right Scheme ("SAR Scheme")	Restricted Share Plan ("RSP")
Variation in share capital	In the event of a variation in share capital, the participants will continue to participate in the various LTI plans. However, Remcom may, where the company's value has been materially affected, make an adjustment to the number of awards to give a participant or an equivalent fair value of the equity capital as to which he/she would have been entitled to prior to the event.	
Allocation methodology	Annual, subject to the discretion of Remcom. (SAR face value percentage of GP times GP)/grant price	Restricted shares – retention and attraction: *Ad hoc*, as determined by Remcom. Bonus shares: Annually, subject to discretion of Remcom and subject to the earning of a cash bonus as measured against the defined performance criteria of the STI. Value of bonus shares = bonus match percentage times total annual bonus.
Grant price	The volume weighted average share price for the 10 business days prior to the date of grant.	n/a
Vesting period	Three years.	Three years.
Lapse period	Seven years.	n/a
Performance conditions	Growth in normalised, fully diluted, headline earnings per share ("HEPS"). Two HEPS targets will be set: • Threshold – Consumer price index ("CPI") over the three-year performance period • Target – CPI + 2% per annum over the three-year performance period. 25% will vest if threshold performance is achieved and 100% will vest if target performance is achieved. Linear vesting will occur between the threshold and the target.	The earning of an STI, which is subject to defined performance criteria, is the proxy for participation. No other performance conditions, save for continued employment, are imposed.

Executive Share Incentive Scheme ("ESIS")
The company previously operated the ESIS in terms of which eligible employees were granted share options, without performance conditions. Allocations were subject to a two-year waiting period whereafter options could be exercised as follows:

- Year 2: 20%
- Year 3: 20%
- Year 4: 20%
- Year 5: 40%

The share options are subject to being exercised within 10 years of the grant date and continued employment, failing which the options lapse.

In 2007 the ESIS was replaced by the SAR Scheme and Deferred Bonus Plan ("DBP") and no further awards have been made. Existing vested and unexercised options, however, remain in effect until they have been exercised or lapse. The last of the options are expected to be exercised in 2017, failing which they will lapse.

Deferred Bonus Plan ("DBP")
The DBP was adopted in 2007 to foster a culture of share ownership among the executive directors. It allows participants to use up to 50% of their after-tax bonus to acquire shares in the company which will be matched by the company after three years, on condition that the participant is still employed by the company and still holds shares. With the introduction of bonus shares under the RSP, the DBP will no longer actively be used.

Details of matching shares awarded to the executive directors can be found on page 117.

The last of the shares will be matched in September 2015.

Pay-for-performance

In alignment with a pay-for-performance culture, the company places a greater emphasis on variable pay for executive directors and Remcom monitors this on a continuous basis.

Guaranteed pay and benefits

City Lodge follows a total cost-to-company approach to structure remuneration for Exco and a basic plus approach in the case of the remaining workforce.

Guaranteed pay is reviewed annually taking the approved increase mandate, macro-economic factors and performance into account. Mandated increases take effect on 1 August.

The annual review of Exco's fixed remuneration, which takes place between May and July of each year, is benchmarked to the market through a third party.

Employee Share Ownership

City Lodge 10th Anniversary Employees Share Trust ("10th Anniversary Trust") and Injabulo Staff Share Scheme ("Injabulo Trust").

All employees who do not qualify to participate in the company's existing LTI plans and who, at the time of distribution, have been in the full-time employ of the company for at least 12 months are eligible to participate in the 10th Anniversary and Injabulo Staff Trusts.

10th Anniversary Trust

The 10th Anniversary Trust holds approximately 1,27% of the company's issued share capital, which was acquired through a loan from the company. Refer to the directors' report for more information in this regard.

The Injabulo Trust

The Injabulo Trust was established with the implementation of the City Lodge black economic empowerment transaction whereby the Vuwa special-purpose vehicle ("SPV") and the University of Johannesburg School for Tourism and Hospitality ("the Hotel School") together with the Staff Trust SPV acquired 15% of the company's issued share capital. 5,91% accrues to the Staff Trust SPV, of which the Injabulo Trust is the sole shareholder. Refer to note 13 for more information in this regard.

Subject to the provisions stated in the respective trust deeds, including, *inter alia*, funding arrangements, beneficiaries will be entitled to:

- a proportion of all dividends received by the 10th Anniversary Trust/Injabulo Trust; and
- a proportion of the growth in the value of the shares held, distributed in the form of shares.

A total of 895 employees qualified for a cash distribution amounting to R1 990 from the 10th Anniversary Trust during the reporting period (2014: 894 employees received a share and cash distribution amounting to R10 387). No shares were distributed due to the market value of the shares held by the trust not increasing sufficiently in accordance with the rules of the trust deed.

Non-executive directors ("NEDs")

Appointment and term

The appointment of directors is a matter for the board as a whole, assisted where appropriate by Remcom, and subject at all times to the approval of shareholders.

Board appointments are governed by the Act, JSE Listings Requirements and the company's MoI which provide for at least one-third of the NEDs to retire by rotation at the company's annual general meeting. The directors so retiring may, if eligible, offer themselves for re-election. New directors hold office until the first annual general meeting following their appointment. They may offer themselves for re-election.

Termination will occur at retirement age (ie 70), if prohibited by law from being a director, failure to be re-elected, upon misconduct or failure to attend meetings without good reason or poor performance.

NEDs are not subject to a fixed term of appointment nor do they participate in the company's STI and LTI.

Fees and basis of remuneration

The fees payable to the NEDs, which have no bearing on company performance, are reviewed annually. The fee structure, as recommended by management, is as far as possible aligned with the market, taking into account the size and market capitalisation of the various companies included in the sample, macro-economic factors, CPI, affordability and the financial position of the company.

Whilst the LID and board members receive fees for their services as LID and directors, respectively, as well as for their services on the various board and statutory committees, the fee payable to the chairman of the board is an all inclusive fee, irrespective of the number of committees the chairman serves on. This change is effective to fees going forward.

Remcom considers management's recommendations and in turn makes a recommendation to the board. NED fees are ultimately approved by shareholders at the annual general meeting.

Expenses

NEDs are reimbursed for all travel, hotel and other expenses reasonably and necessarily incurred in the proper performance of their duties, subject to production of the appropriate supporting documentation.

The SEC operates in accordance with a board-approved mandate and assists the board with the oversight of and reporting on the group's social, ethical and sustainability practices.

Progress in regard to labour and employment, including transformation, environmental sustainability, social responsibility, CSI and socio-economic development ("SED") and stakeholder engagement are covered on pages 46 to 55.

ETHICS AND CODE OF CONDUCT

The board assumes responsibility for ensuring that the company's ethics are effectively managed and does so through exercising ethical leadership, integrity and judgement in directing the company. Employees are in turn expected to act in a manner that upholds the company's values as contained in the City Lodge code of ethics, which addresses its relationships with various stakeholders. The code of conduct details the standards of behaviour expected of employees and is provided to employees at the commencement of their employment with the company.

No incidents or acts indicating a material breach in the required standard of ethical behaviour were reported during the period under review.

The committee, having considered the work undertaken as referred on pages 66 and 67 is of the view that the group is addressing the issues required to be monitored by it in the appropriate manner and that it has effectively discharged its responsibilities as detailed in its mandate.

K I M Shongwe
Chairman of the social and ethics committee

4 September 2015

CONTENTS

These annual financial statements were published on 11 September 2015, were audited in compliance with the requirements of the Companies Act, 71 of 2008, and prepared under the supervision of Andrew Widegger CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of City Lodge Hotels Limited, comprising the statements of financial position at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company and its subsidiaries' ability to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and annual financial statements were approved by the board of directors on 4 September 2015 and signed on its behalf by:

C Ross
Chief executive
Authorised director

A C Widegger
Financial director
Authorised director

CERTIFICATE BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as company secretary, hereby confirm to the best of my knowledge and belief that in terms of the Companies Act, 71 of 2008 (the "Companies Act"), for the financial year ended 30 June 2015, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

M C van Heerden
Company secretary

4 September 2015

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2015

This report is provided by the audit committee in compliance with the Companies Act, 71 of 2008, and as recommended by King III.

MEMBERSHIP

The committee comprises S G Morris (chairman), F W J Kilbourn, G G Huysamer and N Medupe, each of whom are independent non-executive directors and all of whom are financially literate and possess the necessary experience to contribute to the committee's deliberations. The committee met three times during the year with the chief executive, financial director, divisional director: financial and representatives from external audit and internal audit attending each meeting by invitation.

MANDATE AND TERMS OF REFERENCE

Further information with regards to the audit committee, including its terms of reference and procedures, is described more fully in the governance report on pages 63 and 64 of this Integrated Report.

STATUTORY DUTIES

The audit committee is satisfied that it considered, executed and discharged its responsibilities during the year in accordance with its mandate as described above.

The committee has considered the independence of the company's external auditors, KPMG Inc., and is satisfied that, for the year under review, the external auditors are independent. The committee adopts a work plan annually, in advance, in order to manage the discharge of its responsibilities under the Companies Act, King III, its own charter and the JSE Listings Requirements.

It approved the external auditors' fees for 2015 and the non-audit-related services performed by the external auditors during the year in accordance with the policy established and approved by the board.

The committee, excluding management invitees, met with both the external and internal auditors in order to discuss any issues relevant to the audit as well as to consider the resources and adequacy of the finance function, in particular the expertise and experience of the financial director. It concluded that both were adequate.

The committee, excluding both the external and internal auditors, met with management invitees in order to discuss any issues relevant to the audit as well as to consider the quality and effectiveness of the external and internal audit process and concluded that both were adequate.

After assessing the requirements set out in the Companies Act, the committee is satisfied with the independence and objectivity of the external auditors, and recommends the reappointment of the external auditors at the next annual general meeting.

INTERNAL CONTROL

The audit committee has considered and approved the group's system of internal financial controls, based on the reports received from the external auditors and reports on hotel visits by the internal auditors, and confirms that no material breakdown of internal controls has taken place during the year.

SOLVENCY AND LIQUIDITY

The committee is satisfied that the board has performed a solvency and liquidity test on the company and has concluded that the company satisfies the test after payment of the final dividend.

INTEGRATED REPORTING

The Integrated Report comprises the:

- corporate report;
- governance report;
- social and ethics report;
- remuneration report;
- supplementary information to the Integrated Report; and
- the annual financial statements.

Following our review, and having regard to all material factors and risks that may impact the integrity of the Integrated Report, we accordingly recommend the Integrated Report and group annual financial statements of City Lodge Hotels Limited for the year ended 30 June 2015 to the board of directors for approval on 4 September 2015.

S G Morris
Chairman of the audit committee

4 September 2015

NATURE OF BUSINESS

The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller.

FINANCIAL RESULTS

Group profit before taxation for the year amounted to R456,3 million (2014: R378,6 million) while consolidated headline earnings totalled R261,9 million (712,4 cents per share, diluted) compared with headline earnings of R232,1 million (629,9 cents per share, diluted) for the previous year.

On a normalised basis, the consolidated headline earnings totalled R332,1 million (759,9 cents per share, diluted) compared with normalised headline earnings of R281,6 million (643,1 cents per share, diluted) for the previous year.

The company's interest in its subsidiaries' profit after taxation amounted to R49,6 million (2014: R29,1 million).

INTEREST-BEARING BORROWINGS

During 2009 the group was granted an approved facility of R400 million to be utilised in funding the group's expansion. Half of the facility expired in the previous year with the remaining portion of the facility being increased to R250 million, with a final repayment due in 2020. An amount of R65 million was utilised during the year, increasing the amount due to R250 million. Further details are included in note 11.

DIVIDENDS

An interim dividend of 230,0 cents per share (2014: 202,0 cents) was declared on 17 February 2015, payable to ordinary shareholders registered on 16 March 2015. A final dividend of 230,0 cents per share (2014: 189,0 cents) was declared on 13 August 2015, payable to ordinary shareholders registered on 11 September 2015.

SHARE CAPITAL

There was no change in the authorised share capital of the company during the year under review.

The issued share capital increased by 126 040 shares as reflected in note 9.

The shares issued during the year were to participants in the executive employee share incentive scheme, in terms of share options exercised, at prices of between R35,83 and R80,99 per share.

The City Lodge 10th anniversary employees' share scheme

At a general meeting of shareholders on 18 December 1995, a share scheme was created for all employees other than those employees who participate in the City Lodge executive employee share incentive scheme. The company issued 1 000 000 new ordinary shares to the trust which were funded by means of an interest-free loan from the company for an amount of R34 million.

The following distributions were made in terms of the scheme:

Distribution date	Shares per eligible employee	Total shares distributed
December 1995	30	15 420
November 2005	55	38 445
November 2006	138	88 734
November 2007	214	137 388
November 2010	48	36 336
November 2012	80	72 960
November 2013	69	61 846
		451 129

In applying IAS 39 – *Financial Instruments: recognition and measurement*, the carrying value of the loan in the company is R31,7 million (2014: R27,2 million) based on amortised cost.

SUBSIDIARIES AND JOINT VENTURES

Details relating to investments in subsidiaries and jointly controlled entities are included in notes 3, 4 and 20.

DIRECTORATE AND SECRETARY

The directors in office during the year under review were: G G Huysamer (appointed 1 January 2015) F W J Kilbourn, I N Matthews (resigned 31 December 2014), N Medupe, S G Morris, B T Ngcuka (chairman), C Ross (chief executive), K I M Shongwe, W M Tlou and A C Widegger (financial director).

In terms of the memorandum of incorporation, Mr G G Huysamer, Mr F W J Kilbourn, Dr K I M Shongwe and Ms W Tlou retire at the forthcoming annual general meeting but are eligible and available for re-election.

DIRECTORS' INTEREST

The directors' individual interest in the ordinary share capital of the company at 30 June were as follows:

	Beneficial			
	Direct		Indirect	
	2015	2014	**2015**	2014
G G Huysamer	**–**	–	**–**	–
F W J Kilbourn	**17 000**	17 000	**17 500**	17 500
I N Matthews	**416#**	416	**–**	–
N Medupe	**–**	–	**102 247***	102 247
S G Morris	**–**	–	**–**	–
B T Ngcuka	**–**	–	**444 521***	444 521
C Ross	**163 987**	179 706	**10 000**	20 000
K I M Shongwe	**–**	–	**153 371***	153 371
W Tlou	**–**	–	**–**	–
A C Widegger	**152 493**	159 826	**–**	–
Total	**333 896**	356 948	**727 639**	737 759

* *Mrs Medupe, Mr Ngcuka and Dr Shongwe's indirect shareholding reflects their proportionate share of the 2 556 185 shares owned by Vuwa Investments Proprietary Limited.*

\# *Mr Matthews' direct and indirect shareholding as at the date of his retirement, 31 December 2014.*

Directors were interested in 129 040 (2014: 186 040) options to acquire ordinary shares in the company at 30 June 2015 under the executive share incentive scheme. This scheme has been replaced by the share appreciation rights scheme, the deferred bonus plan and the restricted share plan. Details of options held by individual directors are included in note 18.

No material changes in directors' interests have taken place between the reporting date and the date of issue of this Integrated Report.

GOING CONCERN

The directors consider that the company and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the group and company financial statements. The directors have satisfied themselves that the company and its subsidiaries are in a sound financial position and that they have access to sufficient cash and borrowing facilities to meet their foreseeable cash requirements.

EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of City Lodge Hotels Limited

We have audited the group financial statements and the financial statements of City Lodge Hotels Limited, which comprise the statements of financial position at 30 June 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accounting policies and the notes to the financial statements, as set out on pages 87 to 143.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of City Lodge Hotels Limited at 30 June 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2015, we have read the directors' report, the report of the audit committee and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered auditor

Per **J Wessels**
Chartered Accountant (SA)
Registered auditor
Director

4 September 2015

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

ACCOUNTING POLICIES

for the year ended 30 June 2015

REPORTING ENTITIES

City Lodge Hotels Limited (the company) is a company domiciled in South Africa. The group financial statements of the company as at and for the year ended 30 June 2015 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in jointly controlled entities.

The group owns and operates high-quality, affordable hotels targeted at the business community and leisure traveller.

Where reference is made to "group", it should be interpreted as company, where the context requires and unless otherwise stated.

BASIS OF PREPARATION

Functional and presentation currency

These financial statements are presented in rand, which is the company's functional and group's presentation currency, rounded to the nearest thousand.

Basis of measurement

These financial statements are prepared on the historical-cost basis, except for derivative financial instruments carried at fair value and the defined benefit plan measured at the fair value of plan assets less the present value of the defined benefit obligation.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") 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 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, 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 (note 25).

Statement of compliance

The group and company financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board, the Listings Requirements of JSE Limited, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. These group and company financial statements were authorised for issue by the board of directors on 4 September 2015.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set on the following pages have been applied consistently by all group entities to all periods presented in these financial statements.

Basis of consolidation

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. For a business combination achieved in stages, the pre-existing equity interest in the acquiree is measured at fair value at the acquisition date. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities and joint ventures.

The group financial statements include the financial statements of the company and its subsidiaries and joint ventures.

Investments in subsidiaries and joint ventures are carried at cost less accumulated impairment adjustments in the company separate financial statements.

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Equity-accounted investees

The group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the company's share of the profit or loss and OCI of equity-accounted investees, until the date on which joint control ceases.

Goodwill

Goodwill represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition and if a business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

The carrying amount of goodwill in respect of joint ventures is included in the carrying value of the investment in the joint venture.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

Foreign transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date with the resultant translation differences being credited or charged to profit or loss.

Foreign subsidiaries and joint ventures – translation

One-off items in the statement of comprehensive income and cash flow statements of foreign subsidiaries and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. All translation exchange differences arising on the retranslation of opening net assets together with differences between statement of comprehensive income translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Structured entities

The group has established a number of structured entities for the purposes of the BEE transaction. The group does not have any direct or indirect shareholdings in these entities. The group has guaranteed the funding of the structured entities and as such is deemed to control these structured entities resulting in the incorporation of the structured entities into the company and group financial statements.

Transactions eliminated on consolidation

Intragroup transactions and balances, and any unrealised income or expenses arising from intragroup transactions, are eliminated in preparing the group financial statements.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is stated at cost and is not depreciated. Freehold and leasehold buildings are stated at cost and depreciated over periods of up to 50 years as deemed appropriate to reduce carrying values to estimated residual values over their useful lives.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Borrowing costs incurred on funds raised to erect hotel buildings (qualifying assets) are capitalised up to the date that the activities necessary to prepare the hotel for its intended use are substantially complete.

Government grants are recognised when there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant. Such grants are deducted from the cost of the asset.

Depreciation is charged to profit or loss to write off the cost of the asset to its estimated residual value on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Depreciation commences the month following acquisition. The estimated useful lives are currently as follows:

- Buildings 10 to 50 years
- Furniture and equipment Three to five years

Leasehold improvements are written off over the initial period of the lease.

The residual values, depreciation methods, and useful lives are reassessed annually.

Gains and losses arising on the disposal of property, plant and equipment are included in profit or loss.

Leases

Operating leases as lessee

Leases, where the lessor retains the risk and rewards of ownership of the underlying asset, are classified as operating leases.

Operating lease payments are expensed in profit or loss on a straight-line basis over the period of the leases. Other contingent operating lease payments are charged against profit or loss as they are incurred.

Intangible assets

Internally developed trademarks are not recognised. Expenditure to enhance and maintain such trademarks is charged in full against profit or loss.

Expenditure on research activities is recognised in profit or loss as incurred.

Software development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, software development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

- Software development costs — Five to 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and equity-accounted investees, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate or estimated using a price to earnings ratio that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Pre-opening expenses
Pre-opening expenses of new hotels are charged directly against profit or loss as incurred.

Inventories
Inventory is stated at the lower of cost and net realisable value, on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. 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. Deferred taxation is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividends tax on behalf of its shareholders on dividends declared. Amounts withheld are not recognised as part of the company’s tax charge, but rather as part of the dividend paid, recognised directly in equity.

Financial instruments

Measurement

Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

Non-derivative financial assets

The group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

Investments

Investments that meet the criteria for classification as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses.

Financial assets designated as financial assets at fair value through profit or loss are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed. Attributable transaction costs are recognised in profit or loss when incurred.

Trade, loan and other receivables

Trade, loan and other receivables are measured at amortised cost, using the effective interest method, less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligations expire or are discharged or cancelled.

Non-derivative financial liabilities

The group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

Borrowings are measured at amortised cost using the effective interest method.

Any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss as interest expense over the period of the borrowings.

Trade and other payables are measured at amortised cost, using the effective interest method.

Derivative financial assets and liabilities

Derivatives are recognised initially at fair value, and any directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes therein recognised in profit or loss.

The company uses an interest rate swap to hedge its exposure on certain borrowings to fluctuations in interest rates. The fair value is determined using appropriate coupon curve valuation techniques based on prevailing rates at the reporting date.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital and equity

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares
Preference share capital is classified as a liability as it is redeemable on a specific date or at the option of the shareholders and as the dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Revenue
Revenue comprises revenue received from hotel accommodation, food and beverage sales, but excludes Value Added Tax.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue is recognised on the provision of accommodation and related services in the ordinary course of the group's activities when recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement and the amount of revenue can be measured reliably.

For the customer loyalty programme, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits (Lodger-points) and the other components of the sale. The group supplies all of the awards, being accommodation itself. The amount allocated to the Lodger-points is estimated by reference to the fair value of the accommodation for which they could be redeemed, since the fair value of the Lodger-points themselves is not directly observable. The fair value of the accommodation is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognised only when the Lodger-points are redeemed and the group has fulfilled its obligations to supply the accommodation or when it is no longer probable that the points under the programme will be redeemed. The amount of revenue recognised in those circumstances is based on the number of Lodger-points that have been redeemed in exchange for accommodation, relative to the total number of Lodger-points that is expected to be redeemed.

Rental income
Rental income from property leased out under operating leases is recognised on a straight-line basis over the term of the lease. The property leased is owner-occupied property.

Financial income and expense
Financial income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Financial expenses comprise interest expense on borrowings, dividends on preference shares classified as liabilities and unwinding of discounts on provisions. All borrowing costs, not directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss using the effective interest method.

Dividend income
Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established.

Employee benefits
Short-term employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to salaries, bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The liability has been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

Defined-contribution plans

Contributions to defined-contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined-benefit plans and gratuity benefits

The group's net obligation in respect of the defined-benefit pension plan and Kenyan gratuity benefit is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted in respect of the defined-benefit pension plan. The discount rate is the yield at the reporting date on the All Bond Index ("ALBI") that have maturity dates approximating to the terms of the group's obligations and are denominated in the same currency in which the benefits are expected to be paid in respect of the defined-benefit pension plan. For the gratuity benefit the yield at the reporting date, on government bonds with a 10-year duration that have maturity dates approximating to the terms of the group's obligations and are denominated in the same currency in which the benefits are expected to be paid, are used. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and in the case of the defined-benefit pension plan, the return on plan assets (excluding interest), are recognised immediately in OCI. The group determines the net interest expense (income) on the net defined benefit/gratuity liability (asset) for the period by applying the discount rate used to measure the defined benefit/gratuity obligation at the beginning of the annual period to the then net defined benefit/gratuity liability (asset), taking into account any changes in the net defined benefit/gratuity liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit/gratuity plans are recognised in profit or loss.

Where the calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Share-based payment transactions

The share incentive schemes allow certain employees to acquire shares of the company. The fair value of rights granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights. The fair value of the rights granted is measured using the stated models, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest, except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share-based payment arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

Earnings per share

The group presents basic, diluted and normalised earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding, excluding shares held by the BEE structured entities, during the period.

Diluted EPS is determined by dividing profit for the year by the weighted average number of ordinary shares outstanding, excluding shares held by the BEE structured entities, plus all potential dilutive ordinary shares, which comprise share options granted to employees.

Normalised EPS is calculated by dividing profit for the period, excluding the effects of the BEE transactions or those of a non-recurring/core nature, by the weighted average number of ordinary shares outstanding during the period.

Normalised diluted EPS is determined by dividing profit for the year, excluding the effects of the BEE transactions or those of a non-recurring/core nature, by the weighted average number of ordinary shares outstanding, plus all potential dilutive ordinary shares, which comprise share options granted to employees.

Headline earnings per share is calculated in terms of circular 3/2014.

Operating segments

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

STATEMENTS OF FINANCIAL POSITION

at 30 June 2015

		Group		Company	
R000	Note	2015	2014	2015	2014
ASSETS					
Non-current assets		**1 777 574**	1 512 124	**1 696 208**	1 462 510
Property, plant and equipment	1	**1 740 251**	1 457 426	**1 182 611**	934 921
Intangible assets and goodwill	2	**32 578**	15 297	**32 578**	15 297
Interest in subsidiaries	3			**449 349**	449 338
Investments in joint ventures	4	**–**	35 762	**–**	35 762
Loan receivable	5			**31 670**	27 192
Deferred taxation	6	**4 745**	3 639	**–**	–
Current assets		**221 119**	191 785	**138 040**	104 887
Inventories	7	**7 122**	6 551	**3 405**	2 898
Trade receivables	28.4	**95 934**	66 330	**90 054**	58 060
Other receivables	8	**32 701**	32 539	**44 581**	40 957
Taxation		**–**	4 065	**–**	2 972
Cash and cash equivalents		**85 362**	82 300	**–**	–
Total assets		**1 998 693**	1 703 909	**1 834 248**	1 567 397
EQUITY					
Capital and reserves		**727 442**	565 915	**550 135**	419 429
Share capital and premium	9	**164 002**	158 255	**164 002**	158 255
BEE investment and incentive scheme shares		**(515 728)**	(526 822)	**(497 050)**	(508 144)
Other reserves	10	**108 051**	113 939	**106 581**	112 682
Retained earnings		**971 117**	820 543	**776 602**	656 636
LIABILITIES					
Non-current liabilities		**1 148 410**	1 016 917	**1 114 012**	1 002 593
Interest-bearing borrowings	11	**250 000**	185 000	**250 000**	185 000
BEE interest-bearing borrowings	12	**44 120**	44 120	**44 120**	44 120
BEE preference shares	13	**412 100**	420 900	**412 100**	420 900
BEE shareholder's loan	14	**32 988**	28 718	**32 988**	28 718
BEE B preference share dividend accrual	13	**168 191**	141 010	**168 191**	141 010
Other non-current liabilities	15	**113 376**	105 905	**100 558**	97 628
Deferred taxation	6	**127 635**	91 264	**106 055**	85 217
Current liabilities		**122 841**	121 077	**170 101**	145 375
Fair value of BEE interest rate swap	28.1	**–**	1 210	**–**	1 210
Trade and other payables	16	**109 474**	105 483	**148 973**	124 340
Taxation payable		**1 351**	–	**4 334**	–
Bank overdraft		**12 016**	14 384	**16 794**	19 825
Total liabilities		**1 271 251**	1 137 994	**1 284 113**	1 147 968
Total equity and liabilities		**1 998 693**	1 703 909	**1 834 248**	1 567 397

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

		Group		Company	
R000	Note	2015	2014	2015	2014
Revenue		**1 303 112**	1 062 749	**1 177 286**	1 034 451
Administration and marketing costs		**(99 191)**	(83 300)	**(93 195)**	(76 516)
BEE transaction charges	17	**(301)**	(480)	**(301)**	(480)
Operating costs excluding depreciation		**(664 075)**	(542 816)	**(629 441)**	(550 008)
		539 545	436 153	**454 349**	407 447
Depreciation and amortisation		**(86 380)**	(78 421)	**(78 359)**	(75 886)
Results from operating activities	17	**453 165**	357 732	**375 990**	331 561
Interest income	19.1	**4 751**	5 210	**15 134**	16 223
Interest expense	19.2	**(63 251)**	(50 349)	**(63 251)**	(50 349)
Fair value gain on remeasurement of investment in joint venture	3	**59 977**	44 671	**59 977**	–
Share of profit from joint ventures		**1 618**	21 327	**1 618**	2 895
– Courtyard Hotels	20	**1 618**	2 895	**1 618**	2 895
– East Africa (after tax)		**–**	18 432	**–**	–
Profit before taxation		**456 260**	378 591	**389 468**	300 330
Taxation	21	**(137 998)**	(101 208)	**(101 603)**	(95 056)
Profit for the year		**318 262**	277 383	**287 865**	205 274
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Defined benefit plan remeasurements	25	**(3 347)**	18 337	**(3 347)**	18 337
Income tax on other comprehensive income		**937**	(5 134)	**937**	(5 134)
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		**213**	1 409		
Total comprehensive income for the year		**316 065**	291 995	**285 455**	218 477
Earnings per share (cents)					
– basic	22	**878,5**	771,9		
Diluted earnings per share (cents)					
– basic	22	**865,9**	752,7		

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

		Group		Company	
R000	Note	2015	2014	2015	2014
Cash generated by operations	27.1	**529 774**	440 611	**455 010**	417 840
Interest received		**4 751**	5 210	**10 656**	12 378
Interest paid		**(33 119)**	(26 133)	**(33 119)**	(26 133)
Taxation paid	27.2	**(115 520)**	(98 356)	**(91 657)**	(89 765)
Dividends paid	23	**(154 196)**	(138 458)	**(154 407)**	(138 546)
Cash inflows from operating activities		**231 690**	182 874	**186 483**	175 774
Cash utilised in investing activities		**(267 047)**	(250 239)	**(223 597)**	(323 008)
Investment to maintain operations	27.3	**(119 430)**	(90 355)	**(117 768)**	(88 591)
Investment to expand operations	27.4	**(90 008)**	(806)	**(48 209)**	(1 263)
Investments and loans	27.5	**(58 527)**	(159 570)	**(58 538)**	(233 646)
Proceeds on disposal of property, plant and equipment	27.3	**918**	492	**918**	492
Cash inflows from financing activities		**40 145**	146 178	**40 145**	145 259
Proceeds on issue of shares		**5 747**	3 593	**5 747**	3 593
Purchase of incentive scheme shares		**(21 657)**	(4 999)	**(21 657)**	(4 999)
Increase in interest-bearing borrowings		**65 000**	150 000	**65 000**	150 000
Redemption of BEE preference shares		**(8 800)**	(3 300)	**(8 800)**	(3 300)
Distribution by BEE structured entity		**(145)**	(35)	**(145)**	(35)
Effect of consolidation of 10th anniversary employee share trust		**–**	919		
Net increase/(decrease) in cash and cash equivalents		**4 788**	78 813	**3 031**	(1 975)
Cash and cash equivalents at beginning of year		**67 916**	(11 789)	**(19 825)**	(17 850)
Effect of movements in exchange rates on cash held		**642**	892	**–**	–
Cash and cash equivalents at end of year		**73 346**	67 916	**(16 794)**	(19 825)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

R000	Note	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
Group						
Balance at 30 June 2013		154 662	(503 145)	102 236	672 200	425 953
Total comprehensive income for the year		–	–	1 409	290 586	291 995
Profit for the year		–	–	–	277 383	277 383
Other comprehensive income						
Defined-benefit plan remeasurements, net of tax		–	–	–	13 203	13 203
Foreign currency translation differences		–	–	1 409	–	1 409
Transactions with owners, recorded directly in equity		3 593	(23 677)	10 294	(142 243)	(152 033)
Issue of new ordinary shares	9	3 593	–	–	–	3 593
10th anniversary employee share trust shares		–	(18 678)	–	–	(18 678)
Incentive scheme shares		–	(4 999)	–	–	(4 999)
Share compensation reserve	10	–	–	10 294	–	10 294
Dividends paid	23	–	–	–	(138 458)	(138 458)
Distribution by BEE structured entity		–	–	–	(35)	(35)
Consolidation of 10th anniversary employee share trust		–	–	–	(1 653)	(1 653)
Distribution by 10th anniversary employee share trust		–	–	–	(2 097)	(2 097)
Balance at 30 June 2014		158 255	(526 822)	113 939	820 543	565 915
Total comprehensive income for the year		**–**	**–**	**213**	**315 852**	**316 065**
Profit for the year		**–**	**–**	**–**	**318 262**	**318 262**
Other comprehensive income						
Defined-benefit plan remeasurements, net of tax		**–**	**–**	**–**	**(2 410)**	**(2 410)**
Foreign currency translation differences		**–**	**–**	**213**	**–**	**213**
Transactions with owners, recorded directly in equity		**5 747**	**11 094**	**(6 101)**	**(165 278)**	**(154 538)**
Issue of new ordinary shares	9	**5 747**	**–**	**–**	**–**	**5 747**
Incentive scheme shares		**–**	**11 094**	**(21 814)**	**(10 937)**	**(21 657)**
Share compensation reserve	10	**–**	**–**	**15 713**	**–**	**15 713**
Dividends paid	23	**–**	**–**	**–**	**(154 196)**	**(154 196)**
Distribution by BEE structured entity		**–**	**–**	**–**	**(145)**	**(145)**
Balance at 30 June 2015		**164 002**	**(515 728)**	**108 051**	**971 117**	**727 442**

STATEMENTS OF CHANGES IN EQUITY CONTINUED

for the year ended 30 June 2015

R000	Note	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
Company						
Balance at 30 June 2013		154 662	(503 145)	102 388	576 740	330 645
Total comprehensive income for the year		–	–	–	218 477	218 477
Profit for the year		–	–	–	205 274	205 274
Other comprehensive income						
Defined-benefit plan remeasurements, net of tax		–	–	–	13 203	13 203
Transactions with owners, recorded directly in equity		3 593	(4 999)	10 294	(138 581)	(129 693)
Issue of new ordinary shares	9	3 593	–	–	–	3 593
Share compensation reserve	10	–	–	10 294	–	10 294
Incentive scheme shares		–	(4 999)	–	–	(4 999)
Dividends paid	23	–	–	–	(138 546)	(138 546)
Distribution by BEE structured entity		–	–	–	(35)	(35)
Balance at 30 June 2014		158 255	(508 144)	112 682	656 636	419 429
Total comprehensive income for the year		**–**	**–**	**–**	**285 455**	**285 455**
Profit for the year		**–**	**–**	**–**	**287 865**	**287 865**
Other comprehensive income						
Defined-benefit plan remeasurements, net of tax		**–**	**–**	**–**	**(2 410)**	**(2 410)**
Transactions with owners, recorded directly in equity		**5 747**	**11 094**	**(6 101)**	**(165 489)**	**(154 749)**
Issue of new ordinary shares	9	**5 747**	**–**	**–**	**–**	**5 747**
Share compensation reserve	10	**–**	**–**	**15 713**	**–**	**15 713**
Incentive scheme shares		**–**	**11 094**	**(21 814)**	**(10 937)**	**(21 657)**
Dividends paid	23	**–**	**–**	**–**	**(154 407)**	**(154 407)**
Distribution by BEE structured entity		**–**	**–**	**–**	**(145)**	**(145)**
Balance at 30 June 2015		**164 002**	**(497 050)**	**106 581**	**776 602**	**550 135**

	Group		Company	
R000	2015	2014	2015	2014
1. PROPERTY, PLANT AND EQUIPMENT				
At cost				
Land	**295 764**	292 733	**1 178**	1 178
Buildings	**1 505 104**	1 257 373	**1 282 458**	1 037 326
– freehold	**1 219 454**	964 835	**996 808**	744 788
– leasehold	**285 650**	292 538	**285 650**	292 538
Buildings under construction	**52 386**	8 727	**15 991**	8 727
Furniture and equipment	**487 753**	415 803	**426 199**	355 685
	2 341 007	1 974 636	**1 725 826**	1 402 916
Accumulated depreciation				
Buildings	**286 951**	251 966	**268 788**	236 889
– freehold	**162 376**	141 836	**144 213**	126 759
– leasehold	**124 575**	110 130	**124 575**	110 130
Furniture and equipment	**313 805**	265 244	**274 427**	231 106
	600 756	517 210	**543 215**	467 995
Carrying value				
Land	**295 764**	292 733	**1 178**	1 178
Buildings	**1 218 153**	1 005 407	**1 013 670**	800 437
– freehold	**1 057 078**	822 999	**852 595**	618 029
– leasehold	**161 075**	182 408	**161 075**	182 408
Buildings under construction	**52 386**	8 727	**15 991**	8 727
Furniture and equipment	**173 948**	150 559	**151 772**	124 579
	1 740 251	1 457 426	**1 182 611**	934 921

R000	Land	Buildings	Furniture and equipment	Total
1. PROPERTY, PLANT AND EQUIPMENT continued				
Movements for the year				
Group – carrying value				
Opening balance – 1 July 2013	81 487	863 422	123 732	1 068 641
Additions*	668	21 697	53 450	75 815
Acquisitions through business combinations	210 535	161 161	18 548	390 244
Disposals	–	–	(506)	(506)
Depreciation	–	(33 096)	(45 276)	(78 372)
Gain on foreign exchange movement	43	950	611	1 604
Closing balance – 30 June 2014	292 733	1 014 134	150 559	1 457 426
Additions*	**3 031**	**126 056**	**66 184**	**195 271**
Acquisitions through business combinations	**–**	**165 334**	**8 757**	**174 091**
Disposals	**–**	**–**	**(156)**	**(156)**
Depreciation	**–**	**(34 936)**	**(51 140)**	**(86 076)**
Loss on foreign exchange movement	**–**	**(49)**	**(256)**	**(305)**
Closing balance – 30 June 2015	**295 764**	**1 270 539**	**173 948**	**1 740 251**
Company – carrying value				
Opening balance – 1 July 2013	1 178	818 704	116 874	936 756
Additions*	–	22 822	51 686	74 508
Disposals	–	–	(506)	(506)
Depreciation	–	(32 362)	(43 475)	(75 837)
Closing balance – 30 June 2014	1 178	809 164	124 579	934 921
Additions*	**–**	**87 062**	**64 748**	**151 810**
Acquisitions through business combinations	**–**	**165 334**	**8 757**	**174 091**
Disposals	**–**	**–**	**(156)**	**(156)**
Depreciation	**–**	**(31 899)**	**(46 156)**	**(78 055)**
Closing balance – 30 June 2015	**1 178**	**1 029 661**	**151 772**	**1 182 611**

At 30 June 2015 properties with a carrying amount of R97,9 million (2014: R85,4 million) are subject to a registered bond to secure bank loans (refer to note 11) .

A register of the land and buildings is available for inspection at the registered office of the company, a copy of which will be supplied to members of the public on request.

**No interest was capitalised in additions to buildings during the current or prior year.*

	Group		Company	
R000	2015	2014	2015	2014
2. INTANGIBLE ASSETS AND GOODWILL				
At cost				
Software development costs	**29 513**	15 346	**29 513**	15 346
Goodwill	**3 418**	–	**3 418**	–
	32 931	15 346	**32 931**	15 346
Accumulated amortisation and impairment				
Software development costs	**353**	49	**353**	49
Goodwill	**–**	–	**–**	–
	353	49	**353**	49
Carrying value				
Software development costs	**29 160**	15 297	**29 160**	15 297
Goodwill	**3 418**	–	**3 418**	–
	32 578	15 297	**32 578**	15 297

R000	Software development cost	Goodwill	Total
2. INTANGIBLE ASSETS AND GOODWILL continued			
Movements for the year			
Group – carrying value			
Opening balance – 1 July 2013	–	–	–
Additions	15 346	–	15 346
Amortisation	(49)	–	(49)
Closing balance – 30 June 2014	15 297	–	15 297
Additions	**14 167**	**–**	**14 167**
Acquisitions through business combinations	**–**	**3 418**	**3 418**
Amortisation	**(304)**	**–**	**(304)**
Impairment loss	**–**	**–**	**–**
Closing balance – 30 June 2015	**29 160**	**3 418**	**32 578**
Company – carrying value			
Opening balance – 1 July 2013	–	–	–
Additions	15 346	–	15 346
Amortisation	(49)	–	(49)
Closing balance – 30 June 2014	15 297	–	15 297
Additions	**14 167**	**–**	**14 167**
Acquisitions through business combinations	**–**	**3 418**	**3 418**
Amortisation	**(304)**	**–**	**(304)**
Impairment loss	**–**	**–**	**–**
Closing balance – 30 June 2015	**29 160**	**3 418**	**32 578**

For the purposes of impairment testing, goodwill has been allocated to the Courtyard Hotels acquired and assessed as a single cash-generating unit ("CGU"). The recoverable amount was estimated at R177,893 million based on the present value of future earnings using a price-earnings model.

A price to earnings ratio of 18,3 was applied to budgeted earnings. No impairment loss was identified in the current year.

SENSITIVITY ANALYSIS

An analysis of the resultant effect on the value of the CGU for changes in the key valuation assumptions is presented below:

CGU value	Movement	Increase	Decrease
Budgeted earnings	1%	179 672	176 114
Price to earnings ratio	0,5 times	182 753	173 032

R000	Issued share capital	% held	Company 2015	Company 2014
3. INTEREST IN SUBSIDIARIES				
Shares at cost less accumulated impairment losses				
Anchor Park Investments 105 Proprietary Limited	R100	70	*	*
Budget Hotels Proprietary Limited	R100	100	**1 073**	1 073
City Lodge Hotels (Africa) Proprietary Limited	R100	100	*	–
City Lodge Hotels (Botswana) Proprietary Limited	BWP1	100	*	*
Courtyard Management Company Proprietary Limited	R100	100	*	*
Fairview Hotel Limited, Kenya	KES2 600 000	100	**383 465**	383 465
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	R1 518	100	**1**	–
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	R2 584	100	**3**	–
Gallic Courtyard (Rosebank) Share Block Limited	R3 816	100	**4**	–
Gallic Courtyard (Sandown) Share Block Limited	R3 067	100	**3**	–
Newshelf 892 Proprietary Limited#	R100			
Newshelf 935 Proprietary Limited#	R100			
Property Lodging Investments Proprietary Limited	R100	100	**2 000**	2 000
Vuwa Hotels Proprietary Limited#	R100			
			386 549	386 538
Loan				
Property Lodging Investments Proprietary Limited			**62 800**	62 800
Interest in subsidiaries			**449 349**	449 338
The loan is unsecured, bears interest at 12% per annum (2014: 12%) and is repayable on demand on or before 31 July 2023. There is, however, no intention to request repayment during the next 12 months.				
Amounts included in other receivables and payables				
Amounts due by subsidiaries			**14 234**	14 102
Amounts due to subsidiaries			**(30 963)**	(32 763)

These amounts are unsecured, interest-free and repayable on demand.

The company also has an indirect, 100% shareholding in City Lodge Holdings (Share Block) Proprietary Limited.

* *Less than R1 000.*

\# *City Lodge has guaranteed the funding of these BEE entities, resulting in their incorporation.*

3. INTEREST IN SUBSIDIARIES continued

On 30 April 2015, the group acquired the remaining 50% of the shares and voting rights of the Gallic Courtyard Share Block Companies ("Courtyard") with effect from 1 May 2015. As a result, the group's equity interest increased from 50% to 100%, thereby obtaining full control of Courtyard. Taking control of Courtyard will enable the group to realise enhanced benefits from being sole majority owner.

In the 10 months to 30 April 2015, Courtyard contributed R1,6 million to the group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue would have been R1 329,5 million and consolidated profit for the year would have been R321,3 million (with normalised headline earnings of R335,1 million). In determining these amounts management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition occurred on 1 July 2014.

The purchase consideration transferred on acquisition amounted to R77,5 million in cash. No other consideration was transferred.

The summary below provides the fair value of assets acquired and liabilities assumed at the acquisition date.

R000	2015
Property, plant and equipment	**174 091**
Inventories	**114**
Trade and other receivables	**6 760**
Cash and cash equivalents	**4 819**
Deferred tax	**(19 135)**
Trade and other payables	**(988)**
Total identifiable net assets acquired	**165 661**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model uses projected future earnings and applies an earnings yield and price-earnings model, and depreciated replacement cost where appropriate. Depreciated replacement cost reflects adjustments for physical deterioration, as well as functional and economic obsolescence.
Inventories	*Market comparison technique:* The fair value is determined based on the historical cost on a first-in first-out basis.

The fair value and carrying amount for trade and other receivables approximate each other, and are expected to be recovered.

3. INTEREST IN SUBSIDIARIES continued

Goodwill arising from the acquisition has been recognised as follows:

R000	Group 2015
Consideration transferred	**77 488**
Consideration transferred for initial 50% investment	**31 614**
Fair value gain on remeasurement of investment in joint venture	**59 977**
Fair value of identifiable net assets	**(165 661)**
Goodwill	**3 418**

The remeasurement to fair value of the group's initial 50% interest in Courtyard resulted in a fair value gain of R59,977 million. This amount has been included in profit or loss.

R000	Group 2015	Group 2014	Company 2015	Company 2014
4. INVESTMENTS IN JOINT VENTURES				
Interest in joint ventures (refer to note 20)				
Courtyard group of hotels	**–**	35 762	**–**	35 762
Cost of unlisted shares and equity loans	**8 734**	8 734	**8 734**	8 734
Acquisition costs capitalised	**108**	108	**108**	108
Increase in investment since acquisition				
– land and buildings	**5 998**	5 998	**5 998**	5 998
– loans receivable	**16 600**	16 600	**16 600**	16 600
– property, plant and equipment less depreciation	**4 285**	4 322	**4 285**	4 322
Write off of net investment in joint venture	**(4 111)**	–	**(4 111)**	–
Transferred to interest in subsidiary	**(31 614)**	–	**(31 614)**	–

The investment represented the acquisition of the shares and right of use of the assets of the Courtyard group of hotels until 30 April 2015. The loans advanced were unsecured, had no fixed terms of repayment and bore interest at 8,5% per annum (2014: 8,5%).

R000	Group 2015	Group 2014	Company 2015	Company 2014
4. INVESTMENTS IN JOINT VENTURES continued				
Fairview Hotel Limited, Kenya	–	–	–	–
Cost of acquisition	–	149 712	–	149 712
Profit – current	–	18 432	–	–
– prior years	–	13 635	–	–
Transferred to interest in subsidiary	–	(181 779)	–	(149 712)
The investment represented the holding of 50% of the shares of Fairview Hotel Limited, until 20 May 2014.				
	–	35 762	–	35 762
5. LOAN RECEIVABLE				
City Lodge 10th anniversary employees' share trust			**31 670**	27 192
Balance at beginning of year			**27 192**	23 347
Notional credit to interest received in the current year			**4 478**	3 845

The City Lodge 10th anniversary employees' share trust loan is secured by the pledge of 549 349 (2014: 549 349) shares having a market value of R76 354 018 (2014: R69 767 323), is interest-free and is repayable upon demand by the company at any time after the expiry of 20 years from the date of adoption of the scheme, being 18 December 1995, or in the event of the share price falling below R34,00 per share. There is, however, no intention to request repayment during the next 12 months.

In line with the requirements of IFRS 10 *Consolidated Financial Statements*, the City Lodge 10th Anniversary Employees' Share Trust has been consolidated in the current and prior year.

The loan amount is measured at amortised cost. The future value and nominal recoverable amount of the loan is R34,0 million.

R000	Group 2015	Group 2014
6. DEFERRED TAXATION		
Movement in deferred taxation assets		
Balance at beginning of year	**3 639**	4 048
Current year temporary differences – profit or loss	**1 079**	(443)
Foreign exchange movement	**27**	34
Balance at end of year	**4 745**	3 639

	Group		Company	
R000	2015	2014	2015	2014
6. DEFERRED TAXATION continued				
Analysis of deferred taxation assets				
Capital allowances	**3 230**	2 680		
Tax loss	**–**	18		
Operating lease accrual	**1 423**	858		
Non-deductible accruals	**408**	369		
Pre-payments	**43**	–		
Unrealised foreign exchange gain	**(359)**	(286)		
	4 745	3 639		
Movement in deferred taxation liabilities				
Balance at beginning of year	**91 264**	75 761	**85 217**	75 279
Current year temporary differences – profit or loss	**18 141**	5 155	**2 640**	4 804
– other comprehensive income	**(937)**	5 134	**(937)**	5 134
Acquisition through business combination	**19 135**	5 156	**19 135**	–
Foreign exchange movement	**32**	58		
Balance at end of year	**127 635**	91 264	**106 055**	85 217
Analysis of deferred taxation liabilities				
Capital allowances	**169 149**	127 451	**147 274**	120 351
Defined-benefit pension scheme†	**(4 218)**	(2 815)	**(4 218)**	(2 815)
Retirement benefits	**(1 916)**	(1 313)	**–**	–
Income received in advance	**(2 515)**	(2 412)	**(2 515)**	(2 412)
BEE shareholder's loan	**4 763**	5 959	**4 763**	5 959
Operating lease accrual	**(23 933)**	(24 522)	**(23 933)**	(24 522)
Prepayments	**3 038**	2 565	**3 038**	2 565
Share options	**(7 353)**	(5 736)	**(7 353)**	(5 736)
Non-deductible accruals	**(11 001)**	(8 173)	**(11 001)**	(8 173)
Unrealised foreign exchange gain	**1 621**	260		
	127 635	91 264	**106 055**	85 217

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

The tax rate used to calculate the deferred tax balance is:

South Africa – 28% (2014: 28%)

Botswana – 22% (2014: 22%)

Kenya – 30% (2014: 30%)

	Group		Company	
7. INVENTORIES				
Food, liquor and beverages	**7 122**	6 551	**3 405**	2 898

† *Items included in other comprehensive income.*

R000	Group 2015	Group 2014	Company 2015	Company 2014
8. OTHER RECEIVABLES				
Loans due from related parties (refer to note 29)			**14 234**	14 102
Prepayments	**16 333**	12 980	**15 547**	11 565
Sundry receivables	**16 368**	19 559	**14 800**	15 290
	32 701	32 539	**44 581**	40 957
9. SHARE CAPITAL AND PREMIUM				
Share capital				
Authorised				
50 000 000 ordinary shares of 10 cents each	**5 000**	5 000	**5 000**	5 000
Issued				
43 346 593 (2014: 43 220 553) ordinary shares of 10 cents each	**4 335**	4 322	**4 335**	4 322
Balance at beginning of year 43 220 553 (2014: 43 122 653) ordinary shares of 10 cents each	**4 322**	4 312	**4 322**	4 312
Options exercised during the period 126 040 (2014: 97 900) of 10 cents each	**13**	10	**13**	10
Share premium	**159 667**	153 933	**159 667**	153 933
Balance at beginning of year	**153 933**	150 350	**153 933**	150 350
Premium on issue of new ordinary shares	**5 734**	3 583	**5 734**	3 583
	164 002	158 255	**164 002**	158 255
10. OTHER RESERVES				
Share-based payment reserve	**79 640**	85 741	**79 640**	85 741
Balance at beginning of year	**85 741**	75 447	**85 741**	75 447
Expense for the year – share incentive scheme (refer to note 17)	**15 713**	10 294	**15 713**	10 294
Reserve transferred to retained earnings on exercise of vested rights	**(21 814)**	–	**(21 814)**	–
The share-based payment reserve relates to the accumulated cost for the future settlement of obligations arising from the share incentive schemes.				
Equity component of BEE shareholder's loan	**26 941**	26 941	**26 941**	26 941
The equity component of the shareholder's loan relates to the equity contribution received from Vuwa Investments Proprietary Limited in respect of the BEE transaction concluded in July 2008.				
Foreign currency translation reserve	**1 470**	1 257		
Balance at beginning of year	**1 257**	(152)		
Foreign currency translation differences	**213**	1 409		
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.				
	108 051	113 939	**106 581**	112 682

R000	Group 2015	Group 2014	Company 2015	Company 2014
11. INTEREST-BEARING BORROWINGS				
Secured bank loan				
The loan is a revolver facility of R250 million (previously R200 million) in total and bears interest at the one, three or six-month JIBAR rate plus 1,75 (2014: 1,75) percentage points, depending on the election made upon draw down.	**250 000**	185 000	**250 000**	185 000
Interest repayments are made according to the interest period selected on the draw down notice. Outstanding loan capital is repayable in 2020 (previously 30 June 2016).				
The loan is secured over land and buildings with a carrying amount of R97,9 million (2014: R85,4 million).				
The required bank covenants have been met.				
	250 000	185 000	**250 000**	185 000
Less: Amounts to be repaid within one year	**–**	–	**–**	–
Non-current liabilities	**250 000**	185 000	**250 000**	185 000
12. BEE INTEREST-BEARING BORROWINGS				
The loans are secured by a guarantee provided by City Lodge Hotels Limited.	**44 120**	44 120	**44 120**	44 120
The loans bear interest at the six-month JIBAR rate plus 2,5 percentage points. Interest repayments are made every six months in arrears.				
The loan capital is repayable by 31 December 2017.				
	44 120	44 120	**44 120**	44 120
Less: Amounts to be repaid within one year	**–**	–	**–**	–
Non-current liabilities	**44 120**	44 120	**44 120**	44 120

	Group		Company	
R000	2015	2014	2015	2014
13. BEE PREFERENCE SHARES				
Proceeds from the issue of redeemable preference shares	**440 700**	440 700	**440 700**	440 700
Redeemed during prior years	**(19 800)**	(16 500)	**(19 800)**	(16 500)
Redeemed during current year	**(8 800)**	(3 300)	**(8 800)**	(3 300)
	412 100	420 900	**412 100**	420 900

On 8 July 2008, the City Lodge group effected a Black Economic Empowerment scheme with Vuwa Hotels Proprietary Limited, Newshelf 935 Proprietary Limited and Newshelf 892 Proprietary Limited. In terms of the scheme, 15% (6 390 362) of the then issued share capital of City Lodge was acquired by the three structured entities in terms of a scheme of arrangement. A and B cumulative redeemable preference shares were issued by the structured entities to fund a portion of the purchase price of the investment in City Lodge Hotels Limited. These have been guaranteed by City Lodge resulting in the deemed control of the structured entities by the company and their incorporation for accounting purposes. Standard Bank of South Africa subscribed for R195,0 million amortising, seven-year A preference shares bearing interest at 70% of the prime interest rate and R245,7 million cumulative zero coupon five-year B preference shares bearing interest at 71% of the prime interest rate. The final redemption date is 31 December 2017. Ordinary dividends received by the structured entities must be used to service and repay the preference shares. There is a lock-in period applicable to the disposal of shares held by Vuwa Hotels Proprietary Limited until 31 December 2017, whereby shares may only be disposed of to black persons.

A once-off, share-based, equity-settled option expense was recognised during the 2009 financial year amounting to R25,84 million.

An amount of R171,3 million (2014: R144,2 million) was accrued in respect of preference dividends payable as at 30 June 2015. Of this, R3,1 million (2014: R3,2 million) in respect of A preference shares is included under trade and other payables (refer to note 16) due in September 2015 and R168,2 million (2014: R141,0 million) in respect of B preference shares payable beyond one year's time.

	Group		Company	
R000	2015	2014	2015	2014
Voluntary redemption of A and B preference shares may be made, with full redemption of the preference shares required by 31 December 2017. The minimum scheduled redemptions in respect of A and B preference shares are as follows:				
– not later than one year	**–**	–	**–**	–
– between one and five years	**412 100**	420 900	**412 100**	420 900
– later than five years	**–**	–	**–**	–

R000	Group 2015	Group 2014	Company 2015	Company 2014
14. BEE SHAREHOLDER'S LOAN				
Vuwa Investments Proprietary Limited				
Loan granted	**50 000**	50 000	**50 000**	50 000
Equity component of BEE shareholder's loan	**(37 418)**	(37 418)	**(37 418)**	(37 418)
Notional interest expense – prior years	**16 136**	12 419	**16 136**	12 419
Notional interest expense – current year	**4 270**	3 717	**4 270**	3 717
	32 988	28 718	**32 988**	28 718

The BEE shareholder's loan represents the equity contribution by Vuwa Investments Proprietary Limited to the Vuwa structured entity as part funding to purchase shares in City Lodge Hotels Limited.

The loan is measured at amortised cost of R32,988 million (2014: R28,718 million). The notional debit to interest expense at a rate of 14,35% per annum was R4 270 000 (2014: R3 717 000). The future value of the loan is R50 million.

The loan is unsecured, bears notional interest at 14,35%, and is repayable on demand after 31 December 2017.

R000	Group 2015	Group 2014	Company 2015	Company 2014
15. OTHER NON-CURRENT LIABILITIES				
Operating lease accrual	**91 964**	91 480	**85 496**	87 579
Defined-benefit obligation (refer to note 25)	**15 062**	10 049	**15 062**	10 049
Kenyan termination benefit obligation (refer to note 25)	**6 350**	4 376		
	113 376	105 905	**100 558**	97 628
16. TRADE AND OTHER PAYABLES				
Trade payables	**6 019**	9 339	**5 636**	5 200
Loans due to related parties (refer to note 29)			**30 963**	32 763
Sundry accruals	**72 226**	65 057	**70 098**	63 230
Other trade payables	**28 127**	27 943	**39 174**	20 003
Preference dividend payable	**3 102**	3 144	**3 102**	3 144
	109 474	105 483	**148 973**	124 340

	Group		Company	
R000	2015	2014	2015	2014
17. RESULTS FROM OPERATING ACTIVITIES				
Is arrived at after charging/(crediting)				
Auditors' remuneration	**3 239**	2 614	**2 593**	2 292
Audit fees	**2 369**	1 742	**1 825**	1 420
Fees for other services	**870**	872	**768**	872
BEE transaction charges	**301**	480	**301**	480
– loss on fair value of interest rate swap	**67**	235	**67**	235
– sundry expenses	**234**	245	**234**	245
Defined-benefit plan expense (refer to note 25)	**8 209**	9 485	**8 209**	9 485
Defined-contribution plan expense	**12 722**	10 907	**12 722**	10 907
Depreciation and amortisation	**86 380**	78 421	**78 359**	75 886
– buildings	**34 936**	33 096	**31 899**	32 362
– furniture and equipment	**51 140**	45 276	**46 156**	43 475
– computer software	**304**	49	**304**	49
Gratuity benefit expense (refer to note 25)	**2 000**	–	**–**	–
Operating lease rentals	**78 120**	65 043	**93 923**	85 554
– land	**23 170**	20 424	**45 417**	40 935
– hotel buildings	**51 611**	41 511	**45 167**	41 511
– office buildings	**3 339**	3 108	**3 339**	3 108
Pre-opening expenses	**2 362**	–	**2 362**	–
(Profit)/loss on disposal of property, plant and equipment	**(762)**	14	**(762)**	14
Salaries, wages and related benefits	**298 055**	242 449	**269 796**	233 889
– employed	**261 435**	211 125	**234 411**	203 555
– subcontracted	**36 620**	31 324	**35 385**	30 334
Rent received	**(1 106)**	(949)	**(1 106)**	(949)
Share-based payment expense (refer to note 25)	**15 713**	10 294	**15 713**	10 294
– City Lodge 10th anniversary employees' share trust	**3 137**	1 563	**3 137**	1 563
– City Lodge deferred bonus plan	**330**	452	**330**	452
– City Lodge restricted share plan	**5 851**	7 047	**5 851**	7 047
– City Lodge share appreciation rights scheme	**6 395**	1 232	**6 395**	1 232

18. DIRECTORS' EMOLUMENTS

R000	Basic salary	Performance bonus	Fringe benefits and allowances	Pension fund contributions	Total annual remuneration	Current year share-based payment expense*	Total
Executive directors							
2015							
C Ross	**3 831**	**3 386**	**63**	**641**	**7 921**	**3 638**	**11 559**
A C Widegger	**3 023**	**2 658**	**34**	**506**	**6 221**	**2 678**	**8 899**
	6 854	**6 044**	**97**	**1 147**	**14 142**	**6 316**	**20 458**
2014							
C Ross	3 554	2 762	63	498	6 877	2 426	9 303
A C Widegger	2 813	2 188	34	394	5 429	1 957	7 386
	6 367	4 950	97	892	12 306	4 383	16 689

Executive directors are full-time salaried employees, engaged on the company's standard terms and conditions of employment.

* *This expense represents the IFRS 2 costs for the year of any option or right given or reversed (refer to note 25).*

Non-executive directors

	Fees	
R000	2015	2014
G G Huysamer	**135**	–
F W J Kilbourn	**396**	341
I N Matthews	**187**	361
N Medupe	**299**	263
S G Morris	**350**	311
B T Ngcuka (payment made to Vuwa Investments Proprietary Limited)	**829**	739
K I M Shongwe	**233**	189
W Tlou	**202**	189
	2 631	2 393

No other payments were made to directors.

18. DIRECTORS' EMOLUMENTS continued

Executive committee

In line with the requirements of the Companies Act and King III, the group discloses the remuneration paid to prescribed officers who are defined as the group's executive committee. Prescribed officers are full-time salaried employees, engaged on the company's standard terms and conditions of employment.

R000	Basic salary	Per-formance bonus	Fringe benefits and allow-ances	Pension fund contri-butions	Total annual remune-ration	Current year share-based payment expense*	Total
2015							
Prescribed officer 1	**1 625**	**790**	**17**	**272**	**2 704**	**471**	**3 175**
Prescribed officer 2	**1 603**	**774**	**39**	**268**	**2 684**	**475**	**3 159**
Prescribed officer 3	**1 601**	**826**	**41**	**268**	**2 736**	**470**	**3 206**
Prescribed officer 4	**1 367**	**597**	**2**	**229**	**2 195**	**398**	**2 593**
Prescribed officer 5	**1 356**	**608**	**15**	**142**	**2 121**	**394**	**2 515**
Prescribed officer 6	**1 347**	**672**	**32**	**141**	**2 192**	**382**	**2 574**
Prescribed officer 7	**1 166**	**463**	**29**	**195**	**1 853**	**341**	**2 194**
Prescribed officer 8	**1 482**	**772**	**27**	**248**	**2 529**	**396**	**2 925**
	11 547	**5 502**	**202**	**1 763**	**19 014**	**3 327**	**22 341**
2014							
Prescribed officer 1	1 518	452	17	213	2 200	316	2 516
Prescribed officer 2	1 496	572	39	210	2 317	316	2 633
Prescribed officer 3	1 494	447	41	209	2 191	315	2 506
Prescribed officer 4	1 283	378	2	180	1 843	265	2 108
Prescribed officer 5	1 272	377	15	133	1 797	265	2 062
Prescribed officer 6	1 231	363	32	129	1 755	193	1 948
Prescribed officer 7	1 093	328	29	153	1 603	236	1 839
Prescribed officer 8	1 339	387	27	187	1 940	249	2 189
	10 726	3 304	202	1 414	15 646	2 155	17 801

** This expense represents the IFRS 2 costs for the year of any option or right given or reserved (refer to note 25).*

18. DIRECTORS' EMOLUMENTS continued

	Date of grant	Grant price (R)	Holding at 30 June 2015	Lapse date	Number vesting at 30 June 2015
Share appreciation rights					
C Ross					
	1/09/2010	74,62	**57 499**	1/09/2017	**–**
	1/09/2011	63,61	**79 163**	1/09/2018	**79 163**
	1/09/2012	85,66	**92 313**	1/09/2019	**–**
	1/09/2013	120,83	**39 929**	1/09/2020	**–**
	1/09/2014	123,17	**42 108**	1/09/2021	**–**
A C Widegger	1/09/2010	74,26	**39 155**	1/09/2017	**–**
	1/09/2011	63,61	**53 905**	1/09/2018	**53 905**
	1/09/2012	85,66	**62 110**	1/09/2019	**–**
	1/09/2013	120,83	**26 136**	1/09/2020	**–**
	1/09/2014	123,17	**27 539**	1/09/2021	**–**
			519 857		**133 068**

	Date of offer	Number of bonus shares	Share acquisition price	Matching shares	Vesting date
Deferred bonus plan					
C Ross	1/09/2011	**4 650**	64,00	4 650	1/09/2014
	1/09/2012	**6 380**	85,96	6 380	1/09/2015
A C Widegger	1/09/2011	**3 000**	64,00	3 000	1/09/2014
	1/09/2012	**5 220**	85,96	5 220	1/09/2015
		19 250		19 250	
Bonus shares vested during year		**(7 650)**		(7 650)	
		11 600		11 600	

Refer to note 25 for details of the deferred bonus plan.

18. DIRECTORS' EMOLUMENTS continued

	Date of grant	Exercise price (R)	Holding at 30 June 2014	Exercised	Holding at 30 June 2015	Lapse date	Number vesting at 30 June 2015
Directors' share options							
C Ross							
	15/08/2005	37,47	36 000	**36 000**	**–**	15/08/2015	**–**
	9/11/2006	58,59	52 650	**–**	**52 650**	9/11/2016	**52 650**
	8/05/2007	80,31	28 000	**–**	**28 000**	8/05/2017	**28 000**
			116 650	**36 000**	**80 650**		**80 650**
A C Widegger							
	15/08/2005	37,47	21 000	**21 000**	**–**	15/08/2015	**–**
	9/11/2006	58,59	31 590	**–**	**31 590**	9/11/2016	**31 590**
	8/05/2007	80,31	16 800	**–**	**16 800**	8/05/2017	**16 800**
			69 390	**21 000**	**48 390**		**48 390**

	Date of award	Number of restricted shares	Share acquisition price (R)	Vesting date
Restricted share plan – bonus shares				
C Ross	8/10/2014	11 386	124,41	7/10/2017
A C Widegger	8/10/2014	9 020	124,41	7/10/2017
Prescribed officer 1	8/10/2014	1 594	124,41	7/10/2017
Prescribed officer 2	8/10/2014	1 734	124,41	7/10/2017
Prescribed officer 3	8/10/2014	1 594	124,41	7/10/2017
Prescribed officer 4	8/10/2014	1 455	124,41	7/10/2017
Prescribed officer 5	8/10/2014	1 337	124,41	7/10/2017
Prescribed officer 6	8/10/2014	1 432	124,41	7/10/2017
Prescribed officer 7	8/10/2014	1 267	124,41	7/10/2017
Prescribed officer 8	8/10/2014	1 428	124,41	7/10/2017
		32 247		
Restricted share plan – bonus shares				
C Ross	6/09/2013	10 221	122,15	5/09/2016
A C Widegger	6/09/2013	8 253	122,15	5/09/2016
Prescribed officer 1	6/09/2013	1 249	122,15	5/09/2016
Prescribed officer 2	6/09/2013	1 229	122,15	5/09/2016
Prescribed officer 3	6/09/2013	1 227	122,15	5/09/2016
Prescribed officer 4	6/09/2013	1 056	122,15	5/09/2016
Prescribed officer 5	6/09/2013	1 046	122,15	5/09/2016
Prescribed officer 6	6/09/2013	969	122,15	5/09/2016
Prescribed officer 7	6/09/2013	898	122,15	5/09/2016
Prescribed officer 8	6/09/2013	1 009	122,15	5/09/2016
		27 157		

18. DIRECTORS' EMOLUMENTS continued

	Date of award	Number of restricted shares	Share acquisition price (R)	Vesting date
The following shares vested during the year:				
Restricted share plan				
C Ross	23/12/2011	78 455	73,49	22/12/2014
A C Widegger	23/12/2011	63 353	73,49	22/12/2014
Prescribed officer 1	23/12/2011	13 052	73,49	22/12/2014
Prescribed officer 2	23/12/2011	13 052	73,49	22/12/2014
Prescribed officer 3	23/12/2011	13 052	73,49	22/12/2014
Prescribed officer 4	23/12/2011	10 934	73,49	22/12/2014
Prescribed officer 5	23/12/2011	10 934	73,49	22/12/2014
Prescribed officer 6	23/12/2011	9 932	73,49	22/12/2014
Prescribed officer 7	23/12/2011	9 466	73,49	22/12/2014
Prescribed officer 8	23/12/2011	9 141	73,49	22/12/2014
		231 371		

No consideration was received by the company on the award of the restricted share plan ordinary shares (refer to note 25).

R000	Group 2015	Group 2014	Company 2015	Company 2014
19. INTEREST				
19.1 Interest income				
Bank interest	**3 409**	3 351	**1 502**	2 731
Loans to Courtyard Joint Venture	**1 248**	1 857	**1 248**	1 857
IAS 39 – *Effective Interest* (refer to note 5)			**4 478**	3 845
Interest from subsidiaries			**7 812**	7 788
Other	**94**	2	**94**	2
	4 751	5 210	**15 134**	16 223
19.2 Interest expense				
Long-term borrowings	**19 432**	9 385	**19 432**	9 385
Short-term borrowings	**7**	2	**7**	2
IAS 39 – *Effective Interest* (refer to note 14)	**4 270**	3 717	**4 270**	3 717
Preference dividend	**39 542**	37 245	**39 542**	37 245
	63 251	50 349	**63 251**	50 349

No interest was capitalised to property, plant and equipment during the current or prior period.

20. INTEREST IN JOINT VENTURES

The group had the following interests in joint ventures:

- a 50% interest in the Courtyard Share Block Companies, operating and incorporated in South Africa, until 30 April 2015, prior to the acquisition of full control.

Management fees were paid by the respective rental pools to Courtyard Management Company Proprietary Limited, which is a wholly owned subsidiary.

R000	Group 2015	Group 2014	Company 2015	Company 2014
21. TAXATION				
Current	**120 692**	95 907	**99 016**	90 562
Adjustment for prior years	**212**	(310)	**(53)**	(310)
Dividend withholding tax	**32**	13		
Deferred – current	**17 062**	5 598	**2 640**	4 804
	137 998	101 208	**101 603**	95 056
Reconciliation of taxation rate				
Domestic statutory tax rate	**28**	28	**28**	28
Adjusted for:				
– BEE transactions	**2,7**	3	**3,1**	3,8
– tax effect of equity-accounted earnings	**–**	(1,4)	**–**	–
– exempt income	**(3,3)**	(3,2)	**(4,0)**	–
– effect of tax rates in foreign jurisdictions	**3,6**	0,2		
– disallowable expenses	**(0,7)**	0,1	**(1,0)**	(0,1)
Effective rate of taxation	**30,3**	26,7	**26,1**	31,7

22. BASIC AND HEADLINE EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2015 was based on profit for the year of R318,262 million (2014: R277,383 million), and a weighted average number of shares of 36 229 000 (2014: 35 936 000) for basic earnings per share, and 36 755 000 (2014: 36 850 000) for diluted earnings per share.

		Group	
	R000	2015	2014
22.	**BASIC AND HEADLINE EARNINGS PER SHARE** continued		
	Determination of headline earnings and normalised headline earnings		
	Profit for the year	318 262	277 383
	Fair value gain on remeasurement of investment in joint venture	(59 977)	(44 671)
	Gain on bargain purchase	–	(621)
	Write-off of net investment in joint venture	4 111	–
	(Profit)/loss on sale of property, plant and equipment	(762)	14
	Taxation effect	213	(4)
	Headline earnings	261 847	232 101
	BEE transaction charges	301	480
	– loss on fair value of interest rate swap	67	235
	– sundry expenses	234	245
	Notional interest charge on BEE shareholder's loan	4 270	3 717
	Interest on BEE interest-bearing borrowings	4 041	3 638
	Preference dividends paid/payable by the BEE entities	39 542	37 245
	Deferred tax on BEE transactions	(1 196)	(1 041)
	Notional interest income on 10th anniversary employee share trust loan	4 478	3 845
	10th anniversary employee share trust transaction charges and DWT	69	44
	IFRS 2 share-based payment charge for the 10th anniversary employees' share trust	3 137	1 563
	Once-off deferred tax raised due to introduction of Capital Gains Tax in Kenya	15 562	–
	Normalised headline earnings	332 051	281 592
	Number of shares for EPS calculations (000)		
	Undiluted weighted average	36 229	35 936
	Restricted share plan/bonus shares	38	221
	Share appreciation rights	373	508
	Share options	115	185
	Diluted	36 755	36 850
	Number of shares for normalised EPS calculations (000)		
	Undiluted weighted average	36 229	35 936
	BEE shares treated as treasury shares	6 390	6 390
	10th anniversary employees share trust treated as treasury shares	549	549
	Normalised undiluted weighted average	43 168	42 875
	Restricted share plan	38	221
	Share appreciation rights	373	508
	Share options	115	185
	Normalised diluted weighted average	43 694	43 789
	Headline earnings per share (cents)	722,8	645,9
	Diluted headline earnings per share (cents)	712,4	629,9
	Normalised headline earnings per share (cents)	769,2	656,8
	Normalised diluted headline earnings per share (cents)	759,9	643,1

R000	Group 2015	Group 2014	Company 2015	Company 2014
23. DIVIDENDS				
Number 51 of 189,0 cents per share (2014: 175,0 cents) declared on 14 August 2014 and paid on 15 September 2014	**81 687**	75 476	**81 687**	75 476
Number 52 of 230,0 cents per share (2013: 202,0 cents) declared on 17 February 2015 and paid on 16 March 2015	**99 496**	87 162	**99 496**	87 162
Dividends attributable to treasury shares	**(26 987)**	(24 180)	**(26 776)**	(24 092)
	154 196	138 458	**154 407**	138 546
On 13 August 2015, dividend number 53 of 230,0 cents per share in respect of the year ended 30 June 2015 was declared totalling R99 697 164 payable on 14 September 2015. These financial statements do not reflect this dividend payable.				
24. COMMITMENTS				
Capital				
Authorised				
– contracted	**109 325**	61 500	**76 825**	31 500
– not contracted	**905 905**	676 000	**72 155**	236 000
	1 015 230	737 500	**148 980**	267 500
Future capital expenditure will be financed out of funds generated from operations and external borrowings and it is anticipated that approximately R499 million will be spent by 30 June 2016.				
Operating leases as lessee				
The company is party to various operating leases of periods between 20 and 99 years in respect of land and hotel buildings and five years, in respect of office buildings.				
Schedule of minimum lease payments in respect of land, hotel building and office building leases:				
– not later than one year	**81 299**	71 465	**76 607**	67 583
– between one and five years	**354 630**	352 008	**332 342**	332 709
– later than five years	**518 522**	610 527	**451 947**	543 148
	954 451	1 034 000	**860 896**	943 440
Guarantees				
Total financial institution-backed guarantees provided to third parties on behalf of the company amounted to R424,8 million. The directors do not believe any exposure to loss is likely.				
The issued guarantees have the following expiry dates:				
– not later than one year	**–**	–	**–**	–
– between one and five years	**412 100**	420 900	**412 100**	420 900
– later than five years	**12 652**	16 152	**12 652**	16 152

25. EMPLOYEE BENEFITS

Retirement benefit information

The group and company provide retirement benefits for 6% (2014: 6%) of the group's permanent employees through a defined-benefit pension scheme that is subject to the Pension Funds Act, 1956, as amended. This fund was closed to new membership on 28 February 2004 and a new defined-contribution fund was established. Company contributions to this new fund are fixed at a rate of 10,5% of pensionable salaries and 38% (2014: 36%) of the group's permanent employees are members. Employees who are not members of the above funds are members of the appropriate industry fund.

A statutory actuarial valuation of the defined-benefit fund is undertaken every three years. At 31 July 2013, the effective date of the most recent statutory actuarial valuation, the retirement benefit fund was found to have a deficit of R2,6 million.

The fund is managed by a board of trustees, consisting of a combination of member elected and employer appointed trustees. The board has a fiduciary duty to act in the best interest of all stakeholders.

The employer is responsible to fund the balance of the costs of paying the defined benefits. Adverse fund experience (eg higher than expected salary increases or lower than expected investment returns) therefore exposes the employer to higher than expected future required contributions.

As the fund is closed to new members, the employer's exposure to risk is continuously decreasing. However, the level of uncertainty about future experience increases where assumptions apply to a decreasing number of members.

The fund is in the process of winding down. It is the intention to transfer all active members and their corresponding liabilities out of the fund, to a defined-contribution fund with effect from 1 July 2015, subject to approval by the Registrar. This has, however, not been taken into consideration in the results of this valuation as the required approvals are still to be obtained.

The current estimate in terms of IAS 19, as at 30 June 2015, as shown below, indicates that the fund has a deficit of R15 062 000 (2014: R10 049 000). The actuarial loss due to change in demographic assumptions was Rnil (2014: R3 618 000). The actuarial gains due to changes in financial assumptions and experience were R629 000 and R274 000 respectively.

	Group and company	
R000	2015	2014
Current estimated employee benefit obligation:		
Present value of obligation	**(159 284)**	(140 361)
Fair value of plan assets	**144 222**	130 312
Liability at year-end (refer to note 15)	**(15 062)**	(10 049)
Recognised in profit or loss:		
Current service cost	**(7 270)**	(7 001)
Interest on obligation	**(14 615)**	(12 081)
Expected return on plan assets	**13 676**	9 597
	(8 209)	(9 485)
Recognised in the statement of financial position:		
Opening net liability	**(10 049)**	(24 991)
Expense	**(8 209)**	(9 485)
Contributions paid	**6 543**	6 090
Amount recognised in other comprehensive income	**(3 347)**	18 337
Closing net liability	**(15 062)**	(10 049)
Movement in the liability for defined-benefit obligations		
Liability for defined-benefit obligations at 1 July	**140 361**	133 516
Service cost	**7 270**	7 001
Interest cost	**14 615**	12 081
Benefits paid	**(2 059)**	(8 972)
Actuarial gain	**(903)**	(3 265)
Liability for defined-benefit obligations at 30 June	**159 284**	140 361

R000	Group and company 2015	2014
25. EMPLOYEE BENEFITS continued		
Retirement benefit information continued		
Movement in plan assets		
Fair value of plan assets at 1 July	**130 312**	108 525
Expected return on plan assets	**13 676**	9 597
Contributions	**6 543**	6 090
Benefits paid	**(2 059)**	(8 972)
Actuarial (loss)/gain	**(4 250)**	15 072
Fair value of plan assets at 30 June	**144 222**	130 312

	%	%
Plan assets comprise:		
Equity securities	**–**	44,2
Bonds	**–**	12
Property	**–**	6,3
Cash	**100**	13,8
Offshore	**–**	21,8
Other	**–**	1,9
All assets are currently held in Banker and Money Market portfolios in anticipation of the imminent transfer of all assets and liabilities.		
Principal actuarial assumptions at the reporting date:		
Discount rate	**9,6**	9,9
Expected return on plan assets	**9,6**	9,9
Future salary increases	**8,4**	8,8
Future pension increases	**5,6**	5,9
Mortality rates post-retirement	**PA(90) ultimate mortality table rated down by 1 year**	PA(90) ultimate mortality table rated down by 1 year

The expected return on plan assets was set equal to the discount rate. The actual return earned on plan assets for the year was 7,5%.

Included below is a sensitivity analysis in respect of accrued liabilities showing the effects of different key assumptions:

	Increase	Decrease
Discount rate – 9,6% with 1% movement	**(31 538)**	**36 676**
Rate of salary increase – 8,4% with 1% movement	**31 626**	**(22 339)**
Rate of pension increase – 5,6% with 1% movement	**15 330**	**(13 394)**
Rate of mortality – 3 years younger or older than assumed	**(14 444)**	**10 054**

25. EMPLOYEE BENEFITS continued

Medical aid

Certain of the group's employees belong to the Discovery Health Medical Scheme. There are no obligations for post-retirement medical aid contributions.

Kenyan Staff Gratuity Benefit

In Kenya, the group provides gratuity benefits upon termination of employment to qualifying employees in accordance with the Kenyan Collective Bargaining Agreement following a minimum period of five years' service. The group is responsible for the cost of this benefit as and when it accrues with reference to service and salary at the date of exit. Adverse experience (eg higher than expected salary increases) therefore exposes the group to higher-than-expected future costs. The average age of employees is 37,7 years. The duration of liabilities (i.e. the weighted average discounted term to payment of future benefits) as at this date is approximately 12,2 years.

The current estimate in terms of IAS 19, as at 30 June 2015, indicates that the benefit liability for the year ended 30 June 2015 was R6 350 000 (2014: R4 376 000).

	Group
R000	2015
Current estimated staff gratuity benefit:	
Present value of obligation	6 350
Liability at year-end (refer to note 15)	6 350
Recognised in profit or loss:	
Current service cost	1 141
Interest on obligation	859
	2 000
Movement in the liability for staff gratuity benefit:	
Liability for staff gratuity benefit obligations at 1 July	4 376
Service cost	1 141
Interest cost	859
Benefits paid	(26)
Liability for staff gratuity benefit at 30 June	6 350
%	
Principal actuarial assumptions at the reporting date:	
Discount rate	13
Future salary increases	10
Mortality rates	SA 85 – 90 ultimate mortality table

Included below is a sensitivity analysis in respect of accrued liabilities, showing the effects of different key assumptions:

	Increase	Decrease
Net discount rate – 3% with 1% movement	(631)	809
Resignation rates in five-year bands – between 5% and 15% with 5% movement	(99)	35

25. EMPLOYEE BENEFITS continued

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 2 percentage points per annum above inflation ("CPIX") over a three-year performance period. 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 was incorporated into the measurement of fair value. The share-based, equity-settled expense for the year ended 30 June 2015 in profit or loss is R6 395 189 (2014: R1 231 559).

	2015		2014	
	Number of SARs	Weighted average strike	Number of SARs	Weighted average strike
Outstanding at beginning of period	1 332 505	78,97	1 595 000	74,48
Granted during period	119 891	123,17	114 151	120,83
Forfeited during period	(30 143)	80,14	(376 646)	72,67
Exercised during period	(234 690)	63,61	–	–
Expired during period	–	–	–	–
Outstanding at end of period	1 187 563	86,47	1 332 505	78,97
Exercisable at end of period	165 818	63,61	–	–

	2015	2014
Average remaining life (years)	3,65	4,41
American binomial model inputs as follows:		
Volatility (%)	21	21
Risk-free rate (%)	7,53	7,93
Dividend yield (%)	2,72	2,47
Expected life (years)	7	7
Strike price (Rand)	123,17	120,83
Average share price (Rand)	123,17	120,83
Option price (Rand)	36,85	38,81

25. EMPLOYEE BENEFITS continued

Share-based payments continued

Equity-settled deferred bonus plan

Certain employees will be permitted to use a portion of the after-tax component of their annual bonus to acquire bonus shares at market value. A matching award will be made to the participants on the condition that they remain in the employment of the company for the deferred bonus plan period. The deferred bonus plan provides for a grant price equal to zero. The vesting and expiry period is generally three years. Matching awards are forfeited if the employee leaves the group before they vest. 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 was incorporated into the measurement of fair value. Fair value is measured using a European binomial valuation model. The share-based, equity-settled expense for the year ended 30 June 2015 in profit or loss is R330 265 (2014: R451 984).

	2015		2014	
	Number of options	Weighted average strike	Number of options	Weighted average strike
Outstanding at beginning and end of period	**19 250**	**0**	19 250	0
Forfeited during period	**–**	**–**	–	–
Granted during period	**–**	**–**	–	–
Vested during period	**(7 650)**	**–**	–	–
Outstanding at end of period	**11 600**	**0**	19 250	0

	2015	2014
Average remaining life (years)	**0,17**	0,77
European binomial model inputs as follows:		
Volatility (%)	**–**	–
Risk-free rate (%)	**–**	–
Dividend yield (%)	**–**	–
Expected life (years)	**–**	–
Strike price (Rand)	**–**	–
Average share price (Rand)	**–**	–
Option price (Rand)	**–**	–

25. EMPLOYEE BENEFITS continued

Share-based payments continued

Equity-settled 10th anniversary 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. The share-based, equity-settled expense for the year ended 30 June 2015 in profit or loss is R3 136 992 (2014: R1 563 221).

	2015 Number of shares	2014 Number of shares
Outstanding at beginning of period	**549 349**	611 195
Distributed during period	**–**	(61 846)
Acquired during period	**–**	–
Outstanding at end of period	**549 349**	549 349

25. EMPLOYEE BENEFITS continued

Share-based payments continued

Equity-settled 10th anniversary share plan continued

	2015 Per share	2015 Total portfolio	2014 Per share	2014 Total portfolio
European binomial model inputs as follows:				
Volatility (%)	**19**	**19**	20	20
Risk-free rate (%)	**6,3**	**6,3**	5,4	5,4
Dividend yield (%)	**2,52**	**2,52**	2,19	2,19
Expected life (years)	**1**	**1**	1	1
Effective strike price (Rand)	**127,00**	**69 767 323**	120	73 324 200
Share price (Rand)	**127,00**	**69 767 323**	107,56	65 721 584
Effective option price (Rand)	**5,71**	**3 136 992**	2,56	1 563 221

Equity-settled restricted share plan

Certain employees will become owners of ordinary shares, which were acquired on the market, for award. From the grant date, they will immediately benefit from dividends and have shareholder voting rights, thus providing direct alignment between participants and shareholders. The employee will give no consideration for the grant or settlement of an award. In the case of resignation or dismissal, all unvested awards will be forfeited. The vesting period is generally three years. The share-based, equity-settled expense for the year ended 30 June 2015 in profit or loss is R5 850 413 (2014: R7 047 492).

	2015 Number of shares granted	2015 Average share price
Outstanding at beginning of period	**272 076**	**81,20**
Granted during period	**47 484**	**125,08**
Vested during period	**(231 371)**	**73,88**
Outstanding at end of period	**88 189**	**124,03**
Exercisable at end of period	**–**	**–**

26. BORROWING POWERS

The borrowings of the company are not limited by its memorandum of incorporation.

R000	Group 2015	Group 2014	Company 2015	Company 2014
27. NOTES TO THE STATEMENTS OF CASH FLOWS				
27.1 Cash generated by operations				
Profit before taxation	**456 260**	378 591	**389 468**	300 330
Adjusted for:				
– depreciation and amortisation	**86 380**	78 421	**78 359**	75 886
– movement in operating lease accrual	**484**	3 411	**(2 083)**	85
– interest income	**(4 751)**	(5 210)	**(15 134)**	(16 223)
– interest expense	**63 251**	50 349	**63 251**	50 349
– (profit)/loss on disposal of property, plant and equipment	**(762)**	14	**(762)**	14
– loss on fair value of interest rate swap	**67**	235	**67**	235
– movement in defined-benefit liability	**5 013**	(14 942)	**5 013**	(14 942)
– defined-benefit remeasurements	**(3 347)**	18 337	**(3 347)**	18 337
– movement in termination benefit obligation	**1 974**	125		
– share-based payment expense	**15 713**	10 294	**15 713**	10 294
– share of profit – Fairview Hotels Limited, Kenya	**–**	(18 432)		
– unrealised foreign currency loss	**(119)**	(989)		
– fair value gain on remeasurement of investment in joint venture	**(59 977)**	(44 671)	**(59 977)**	
– write-off of net investment in joint venture	**4 111**	–	**4 111**	–
– gain on bargain purchase	**–**	(621)		
Operating cash flows before working capital changes	**564 297**	454 912	**474 679**	424 365
(Increase)/decrease in inventory	**(457)**	2 701	**(393)**	(22)
Increase in trade and other receivables	**(23 007)**	(19 622)	**(28 859)**	(16 065)
(Decrease)/increase in trade and other payables	**(11 059)**	2 620	**9 583**	9 562
	529 774	440 611	**455 010**	417 840
27.2 Taxation paid				
Balance overpaid at beginning of year	**4 065**	3 116	**2 972**	3 459
Acquisition through business combination	**–**	(1 797)		
Taxation payable per statements of comprehensive income	**(120 936)**	(95 610)	**(98 963)**	(90 252)
Balance owing/(overpaid) at end of year	**1 351**	(4 065)	**4 334**	(2 972)
	(115 520)	(98 356)	**(91 657)**	(89 765)
27.3 Investment to maintain operations				
Additions to property, plant and equipment				
– land and buildings	**(51 502)**	(21 600)	**(51 502)**	(21 600)
– furniture and equipment	**(53 761)**	(53 409)	**(52 099)**	(51 645)
– computer software	**(14 167)**	(15 346)	**(14 167)**	(15 346)
	(119 430)	(90 355)	**(117 768)**	(88 591)
Less: Proceeds on disposal				
Furniture and equipment	**918**	492	**918**	492
	(118 512)	(89 863)	**(116 850)**	(88 099)

FINANCIAL STATEMENTS

R000	Group 2015	Group 2014	Company 2015	Company 2014
27. NOTES TO THE STATEMENTS OF CASH FLOWS continued				
27.4 Investment to expand operations				
Additions to property, plant and equipment				
– land and buildings	**(77 359)**	(765)	**(35 560)**	(1 222)
– furniture and equipment	**(12 649)**	(41)	**(12 649)**	(41)
	(90 008)	(806)	**(48 209)**	(1 263)
27.5 Investments and loans				
Increase in investments	**(58 527)**	(159 570)	**(58 538)**	(233 646)
	(58 527)	(159 570)	**(58 538)**	(233 646)
28. FINANCIAL INSTRUMENTS				
28.1 Classes of financial instruments				
Financial assets				
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loans – jointly controlled entities	**–**	21 841	**–**	21 841
Loans receivable	**–**	–	**31 670**	27 192
Trade receivables	**95 934**	66 330	**90 054**	58 060
Other receivables	**16 368**	19 559	**29 034**	29 392
Cash and cash equivalents	**85 362**	82 300	**–**	–
Non-derivative financial liabilities				
Bank overdraft	**(12 016)**	(14 384)	**(16 794)**	(19 825)
Interest-bearing borrowings	**(250 000)**	(185 000)	**(250 000)**	(185 000)
BEE interest-bearing borrowings	**(44 120)**	(44 120)	**(44 120)**	(44 120)
BEE preference shares	**(412 100)**	(420 900)	**(412 100)**	(420 900)
BEE shareholder's loan	**(32 988)**	(28 718)	**(32 988)**	(28 718)
BEE B preference share dividend accrual	**(168 191)**	(141 010)	**(168 191)**	(141 010)
Trade and other payables	**(109 474)**	(105 483)	**(148 973)**	(124 340)
Derivative financial liabilities				
Current portion of BEE interest rate swap	**–**	(1 210)	**–**	(1 210)

The fair value of the financial assets and liabilities approximates their carrying amount.

28. FINANCIAL INSTRUMENTS continued

28.1 Classes of financial instruments continued

Fair value hierarchy

At 30 June 2015 and 30 June 2014, the group had the following financial instruments carried at fair value, by valuation method, requiring the following fair value hierarchy classification:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value, by valuation method.

	Group		Company	
R000	2015	2014	2015	2014
Level 1	–	–	–	–
Level 2				
BEE interest rate swap	–	1 210	–	1 210
Level 3	–	–	–	–
	–	1 210	–	1 210

The valuation model considers the present value of expected payments, discounted using the zero curve. The expected payment is determined by considering the prime and JIBAR interest rate curves on the valuation date, being an expectation of the future movement in interest rates. The payment would then be the difference between the swapped rate and the actual rate of interest over the period.

28.2 Market risk

Market risk – is the risk that changes in market rates such as interest rates, foreign exchange rates and equity prices will affect the group's income and value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(a) Interest rate risk – fluctuations in interest rates impact the value of short-term investments and financing activities, giving rise to the interest rate risk. The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the average medium term, risk-free rate over the period of the respective loan.

(b) Currency risk

Currency risk related to investments in foreign entities

The group has interest in entities which operate in various countries. A significant portion of the group's foreign revenue is earned in countries which have stable currencies. It is not the group's policy to hedge investments in foreign subsidiaries.

Currency risk related to foreign transactions

Each group entity operates predominantly within its own common monetary area and therefore the group has no significant currency risk with regards to operational activities. At year-end, all group entities had no foreign currency trade receivables or payables. It is not the group's policy to hedge transactions which are denominated in a currency other than the entities' functional currency, which mainly occurs with purchases.

(c) Equity price risk – is the exposure to equity price changes affecting the plan assets reducing the defined-benefit obligation (refer to note 25).

28. FINANCIAL INSTRUMENTS continued

28.3 Liquidity risk – is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the group ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. The group also has access to overdraft facilities, which may be used to meet its financial obligations if necessary.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

R000	Carrying amount	Contractual undiscounted cash flows	Less than one year	Between one and five years	More than five years
Group					
At 30 June 2015					
Non-derivative financial liabilities					
Borrowings	**250 000**	**348 545**	**19 741**	**328 804**	**–**
BEE interest-bearing borrowings	**44 120**	**54 402**	**4 122**	**50 280**	**–**
BEE preference shares	**412 100**	**447 795**	**11 316**	**436 479**	**–**
BEE shareholder's loan	**32 988**	**50 000**	**–**	**50 000**	**–**
BEE B preference share dividend accrual	**168 191**	**246 150**	**–**	**246 150**	**–**
Trade payables	**109 474**	**109 474**	**109 474**	**–**	**–**
Bank overdraft	**12 016**	**12 016**	**12 016**	**–**	**–**
	1 028 889	**1 268 382**	**156 669**	**1 111 713**	**–**
At 30 June 2014					
Non-derivative financial liabilities					
Borrowings	185 000	212 973	13 967	199 006	–
BEE interest-bearing borrowings	44 120	57 829	3 916	53 913	–
BEE preference shares	420 900	472 201	12 698	459 503	–
BEE shareholder's loan	28 718	50 000	–	50 000	–
BEE B preference share dividend accrual	141 010	243 014	–	243 014	–
Trade payables	105 483	105 483	105 483	–	–
Bank overdraft	14 384	14 384	14 384	–	–
Derivative financial liabilities					
BEE interest rate swap	1 210	1 210	1 210	–	–
	940 825	1 157 094	151 658	1 005 436	–

28. FINANCIAL INSTRUMENTS continued

28.3 Liquidity risk continued

R000	Carrying amount	Contractual undiscounted cash flows	Less than one year	Between one and five years	More than five years
Company					
At 30 June 2015					
Non-derivative financial liabilities					
Borrowings	**250 000**	**348 545**	**19 741**	**328 804**	**–**
BEE interest-bearing borrowings	**44 120**	**54 402**	**4 122**	**50 280**	**–**
BEE preference shares	**412 100**	**447 795**	**11 316**	**436 479**	**–**
BEE shareholder’s loan	**32 988**	**50 000**	**–**	**50 000**	**–**
BEE B preference share dividend accrual	**168 191**	**246 150**	**–**	**246 150**	**–**
Trade payables	**148 973**	**148 973**	**148 973**	**–**	**–**
Bank overdraft	**16 794**	**16 794**	**16 794**	**–**	**–**
	1 073 166	**1 312 659**	**200 946**	**1 111 713**	**–**
At 30 June 2014					
Non-derivative financial liabilities					
Borrowings	185 000	212 973	13 967	199 006	–
BEE interest-bearing borrowings	44 120	57 829	3 916	53 913	–
BEE preference shares	420 900	472 201	12 698	459 503	–
BEE shareholder’s loan	28 718	50 000	–	50 000	–
BEE B preference share dividend accrual	141 010	243 014	–	243 014	–
Trade payables	124 340	124 340	124 340	–	–
Bank overdraft	19 825	19 825	19 825	–	–
Derivative financial liabilities					
BEE interest rate swap	1 210	1 210	1 210	–	–
	965 123	1 181 392	175 956	1 005 436	

28. FINANCIAL INSTRUMENTS continued

28.3 Liquidity risk continued

The interest rate profile of the group is as follows:

	Group		Company	
R000	2015	2014	2015	2014
Variable rate instruments				
Assets	**85 362**	82 300	**–**	–
Liabilities	**(718 236)**	(664 404)	**(723 014)**	(669 845)
Fixed rate instruments				
Assets			**62 800**	62 800
Liabilities	**(32 988)**	(28 718)	**(32 988)**	(28 718)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amount shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
R000	2015	2014	2015	2014
50 bps increase	**1 256**	530	**1 280**	558
50 bps decrease	**(1 256)**	(530)	**(1 280)**	(558)

28.4 Credit risk – credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all travel agents or customers requiring credit. Reputable financial institutions are used for investing and cash-handling purposes. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

28. FINANCIAL INSTRUMENTS continued

28.4 Credit risk continued

	Group		Company	
R000	2015	2014	2015	2014
Loan – Property Lodging Investments Proprietary Limited			**62 800**	62 800
Loans – jointly controlled entities	**–**	21 841	**–**	21 841
Loan receivable	**–**	–	**31 670**	27 192
Other receivables	**16 368**	19 559	**29 034**	29 392
Trade receivables	**95 934**	66 330	**90 054**	58 060
Cash and cash equivalents	**85 362**	82 300	**–**	–
	197 664	190 030	**213 558**	199 285
The carrying amount of trade receivables represents the maximum credit exposure at reporting date which was:				
Trade receivables				
Not past due	**52 691**	48 230	**48 584**	41 294
0 – 30 days past due	**25 570**	15 740	**24 543**	15 090
31 – 120 days past due	**17 673**	2 360	**16 927**	1 676
Gross	**22 992**	6 395	**21 844**	5 151
Impairment allowance	**(5 319)**	(4 035)	**(4 917)**	(3 475)
	95 934	66 330	**90 054**	58 060
Trade receivables by type of customer				
Travel agents	**76 715**	45 563	**76 626**	45 519
Large corporates and companies	**19 219**	20 767	**13 428**	12 541
	95 934	66 330	**90 054**	58 060
Trade receivables by geographical region – South Africa	**90 054**	58 060	**90 054**	58 060
Trade receivables by geographical region – Kenya	**4 966**	7 385		
Trade receivables by geographical region – Botswana	**914**	885		
	95 934	66 330	**90 054**	58 060
The movement in the impairment allowance in respect of trade receivables during the year was as follows:				
Balance at beginning of year	**4 035**	2 218	**3 475**	2 218
Impairment allowance raised	**1 086**	1 785	**1 256**	1 257
Acquisitions through business combination	**186**	27	**186**	–
Foreign exchange movement	**12**	5		
Balance at end of year	**5 319**	4 035	**4 917**	3 475

28.5 Capital management – the group's objective when managing capital, which consists of ordinary shares, preference shares, retained earnings and other reserves, is to safeguard the group's ability to continue as a going concern and to provide acceptable returns for shareholders. The board of directors monitors the level of dividends to ordinary shareholders.

29. RELATED PARTIES

29.1 Identity of related parties with whom material transactions have occurred

The company is the holding company of Anchor Park Investments 105 Proprietary Limited, Budget Hotels Proprietary Limited, City Lodge Hotels (Botswana) Proprietary Limited, Courtyard Management Company Proprietary Limited, Fairview Hotel Limited, Gallic Courtyard (Arcadia) Share Block Proprietary Limited, Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited, Gallic Courtyard (Rosebank) Share Block Limited, Gallic Courtyard (Sandown) Share Block Limited and Property Lodging Investments Proprietary Limited.

Courtyard Management Company Proprietary Limited is the management company of the Courtyard Hotels.

Budget Hotels Proprietary Limited and Property Lodging Investments Proprietary Limited lease land to City Lodge Hotels Limited.

Interest-bearing loans exist between City Lodge Hotels Limited and Property Lodging Investments Proprietary Limited.

All of the above entities are related parties to the company. Other than the directors' remuneration (refer to note 18) and information below, there are no other related parties with whom material transactions have taken place.

29.2 Types of related-party transactions

Management fees and operating lease rental payments have been made and interest has been received from certain related parties. These transactions with related parties occurred under terms that are no less favourable than those arranged with third parties.

29. RELATED PARTIES continued

R000	Company 2015	Company 2014
29.3 Material related-party transactions		
Subsidiary companies		
Management fees paid to related parties		
Courtyard Management Company Proprietary Limited	**1 125**	783
Management fees received from related parties		
City Lodge Hotels (Botswana) Proprietary Limited	**1 024**	782
Operating lease rentals paid to related parties		
Budget Hotels Proprietary Limited	**1 789**	1 688
Property Lodging Investments Proprietary Limited	**22 562**	20 511
	24 351	22 199
Interest received from related parties		
Property Lodging Investments Proprietary Limited	**7 860**	7 860
Interest paid to related parties		
Property Lodging Investments Proprietary Limited	**48**	72
Joint ventures		
Interest received from related parties		
Gallic Courtyard (Arcadia) Share Block Proprietary Limited	**393**	446
Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	**375**	425
Gallic Courtyard (Rosebank) Share Block Limited	**292**	332
Gallic Courtyard (Sandown) Share Block Limited	**188**	212
Gallic Courtyard (Valkenberg) Share Block Proprietary Limited	**–**	442
	1 248	1 857
Licence fees received from related parties		
Fairview Hotel Limited	**675**	665

29. RELATED PARTIES continued

		Group		Company	
	R000	2015	2014	2015	2014
29.4	**Loan to subsidiary**				
	Property Lodging Investments Proprietary Limited			**62 800**	62 800
29.5	**Amounts due to Subsidiary companies**				
	Budget Hotels Proprietary Limited			**10 068**	8 709
	Property Lodging Investments Proprietary Limited			**16 819**	9 603
	City Lodge Holdings (Share Block) Proprietary Limited			**4 065**	4 065
	Courtyard Management Company Proprietary Limited			**–**	10 386
	Gallic Courtyard (Arcadia) Share Block Proprietary Limited			**1**	–
	Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited			**3**	–
	Gallic Courtyard (Rosebank) Share Block Limited			**4**	–
	Gallic Courtyard (Sandown) Share Block Limited			**3**	–
				30 963	32 763
29.6	**Amounts due by Subsidiary companies**				
	City Lodge Hotels (Botswana) Proprietary Limited			**11 039**	14 102
	Courtyard Management Company Proprietary Limited			**3 195**	–
				14 234	14 102
	The amounts due to and by subsidiary companies are unsecured, interest-free and repayable on demand.				
	Joint ventures				
	Gallic Courtyard (Arcadia) Share Block Proprietary Limited	**–**	5 243	**–**	5 243
	Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited	**–**	5 000	**–**	5 000
	Gallic Courtyard (Rosebank) Share Block Limited	**–**	3 900	**–**	3 900
	Gallic Courtyard (Sandown) Share Block Limited	**–**	2 500	**–**	2 500
	Gallic Courtyard (Valkenberg) Share Block Proprietary Limited	**–**	5 198	**–**	5 198
		–	21 841	**–**	21 841

The amounts due by joint ventures were unsecured, had no fixed terms of repayment and bore interest at 8,5% per annum (2014: 8,5%).

29. RELATED PARTIES continued

R000	Group 2015	Group 2014	Company 2015	Company 2014
29.7 Transactions with key management				
Key management, other than directors, is defined as first-line management of the company and its principal operations. First-line management largely constitutes operational executive management.				
Key management compensation is as follows (refer to note 18):				
– short-term employee benefits, including salaries and bonuses	**19 014**	15 646	**16 330**	13 329
– equity compensation benefits	**3 327**	2 155	**2 852**	1 839
	22 341	17 801	**19 182**	15 168

30. GOING CONCERN

The directors consider that the company and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the group and company's financial statements. The directors have satisfied themselves that the company and its subsidiaries are in a sound financial position and that they have access to sufficient cash and borrowing facilities to meet their foreseeable cash requirements.

31. RELEVANT STANDARDS AND INTERPRETATIONS EFFECTIVE FOR YEARS ENDING AFTER 30 JUNE 2015

At the date of authorisation of these financial statements for the year ended 30 June 2015, the following standards and interpretations were in issue but not yet effective for the company:

	Standard/interpretation	Effective date
Various	*Annual improvements to IFRS 2012 – 2014 cycle*	1 January 2016
IAS 1	*Disclosure initiative*	1 January 2016
IFRS 15	*Revenue from contracts with customers*	1 January 2017
IFRS 9	*Financial Instruments*	1 January 2018

All the standards listed above are applicable to the company and will be adopted on their effective dates. Management is of the view that the effects on disclosure would be minimal, and would result in some enhanced disclosure. The effects on recognition and measurement would be limited.

SEGMENT ANALYSIS

for the year ended 30 June 2015

The segment information has been prepared in accordance with IFRS 8 – *Operating Segments* ("IFRS 8") which defines the requirements for the disclosure of 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, fittings 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.

	Court-yard*	City Lodge		Town Lodge		Road Lodge		Central Office and other		Total	
R000	2015	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	**30 491**	**673 846**	597 902	**213 594**	190 450	**259 356**	230 495	**125 825**	43 902	**1 303 112**	1 062 749
EBITDAR	**13 982**	**402 790**	358 434	**99 088**	89 560	**147 215**	128 925	**(48 749)**	(78 831)	**614 326**	498 088
Land and hotel building rental								**(74 781)**	(61 935)	**(74 781)**	(61 935)
EBITDA										**539 545**	436 153
Depreciation	**(1 148)**	**(23 165)**	(24 523)	**(7 494)**	(5 893)	**(11 930)**	(10 589)	**(42 643)**	(37 416)	**(86 380)**	(78 421)
Results from operating activities										**453 165**	357 732
Share of profit/(loss) from jointly controlled entities								**1 618**	21 327	**1 618**	21 327

Geographical information

	South Africa		Rest of Africa		Total	
R000	2015	2014	2015	2014	2015	2014
Revenue	**1 177 287**	1 034 451	**125 825**	28 298	**1 303 112**	1 062 749
Share of profit from joint ventures	**1 618**	2 895	**–**	18 432	**1 618**	21 327
Non-current assets – property, plant and equipment	**1 301 952**	1 051 615	**438 299**	405 811	**1 740 251**	1 457 426

EBITDAR represents earnings after BEE transaction charges but before interest, taxation, depreciation and rental.

EBITDA represents earnings after BEE transaction charges but before interest, taxation and depreciation.

** Now disclosed separately following acquisition of remaining share of Courtyard joint venture.*

SHAREHOLDERS' ANALYSIS

as at 30 June 2015

SHAREHOLDER SPREAD

Beneficial shareholders with holdings exceeding 1%	Number of shares owned	% of total issued shares
Enderle S.A. Proprietary Limited	4 016 479	9,27
Vuwa Investments Proprietary Limited	2 556 185	5,90
The Injabulo Staff Trust*	2 556 120	5,90
Government Employees Pension Fund (PIC)	2 236 400	5,16
Aberdeen Emerging Market Smaller Co	2 165 609	5,00
University of Johannesburg School for Tourism and Hospitality	1 278 060	2,95
Aberdeen Institutional Commingled Funds	1 254 073	2,89
Somerset Emerging Markets Small Cap Fund	930 492	2,15
Government of Norway	820 897	1,89
Fidelity Emerging Europe, Middle East and Africa	804 942	1,86
Fidelity Fast Emerging Markets Fund	783 007	1,81
Eskom Pension and Provident Fund	759 013	1,75
Sentinel Retirement Fund	624 543	1,44
Trustees City Lodge 10th Anniversary*	549 349	1,27
Nedgroup Investments Entrepreneur Fund	500 000	1,15
Old Mutual Symm Satellite	481 539	1,11
Total	**22 316 708**	**51,50**

**Non-public, which in terms of the JSE Listings Requirements includes, inter alia, the directors of the company, the trustees of any employees' share scheme and any person or entity that is interested in 10% or more of a particular class of securities.*

SHAREHOLDERS' ANALYSIS CONTINUED

as at 30 June 2015

SHAREHOLDER SPREAD

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	8 040	80,35	1 470 568	3,39
1 001 – 10 000 shares	1 718	17,17	4 874 777	11,25
10 001 – 100 000 shares	190	1,90	5 128 526	11,83
100 001 – 1 000 000 shares	50	0,50	14 303 102	33,00
1 000 001 shares and above	8	0,08	17 569 620	40,53
Total	**10 006**	**100,00**	**43 346 593**	**100,00**

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	16	0,16	11 474 988	26,47
– Directors	3	0,03	378 373	0,87
– Other	13	0,13	11 096 615	25,60
Public shareholders	9 990	99,84	31 871 605	73,53
Total	**10 006**	**100,00**	**43 346 593**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of issued capital
South Africa	30 416 508	70,17
United States of America and Canada	3 574 069	8,25
United Kingdom	1 339 338	3,09
Rest of Europe	7 360 184	16,98
Rest of world	656 494	1,51
Total	**43 346 593**	**100,00**

MEMBERS' DIARY

FINANCIAL YEAR-END		30 June
ANNUAL GENERAL MEETING		November
REPORTS		
Announcement of results for the half-year		February
Announcement of annual results		August
Annual financial statements		September
DIVIDENDS		
Declaration	Interim	February
	Final	August
Payment	Interim	March/April
	Final	September/October

CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06
Share code: CLH ISIN: ZAE000117792

Notice is hereby given to shareholders recorded in the company's securities register on 4 September 2015, that the twenty-ninth annual general meeting of shareholders of City Lodge Hotels Limited will be held at The Lodge, Bryanston Gate Office Park, corner Homestead Avenue and Main Road, Bryanston on Thursday, 12 November 2015 at 14:00 for purposes of dealing with the following business and considering and, if deemed fit, passing with or without modification, the resolutions set out hereunder.

Meeting participants (including shareholders and proxies) are, in accordance with the provisions of section 63(1) of the Companies Act, 71 of 2008 (the Act) required to provide reasonably satisfactory identification before being entitled to attend or participate in the shareholders' meeting. Acceptable forms of identification include valid identity documents issued by the Department of Home Affairs, driver's licences and passports.

IMPORTANT DATES AND TIMES

Record date for attending and voting at the meeting (meeting record date) Friday, 6 November 2015.
Last day for shareholders to lodge forms of proxy by 14:00 on Tuesday, 10 November 2015.
AGM to be held at 14:00 on Thursday, 12 November 2015.
Announce results of AGM on SENS Friday, 13 November 2015.

AS ORDINARY BUSINESS

1. To present the consolidated audited annual financial statements for the year ended 30 June 2015 (as set out on pages 87 to 143 of the Integrated Report), together with the directors' and external auditors' reports and the reports of the audit committee and social and ethics committee, as distributed.

2. **Ordinary resolution number 1: Re-election of directors**

   To elect the following director, who was appointed during the year, who retires in accordance with the provisions of the Act and the company's memorandum of incorporation (MOI), and who is eligible and available for re-election.

   Ordinary resolution number 1.1 "RESOLVED THAT Mr G G Huysamer, who was first appointed to the board on 1 January 2015, be and is hereby re-elected as a director of the company."

To elect, by way of a series of votes, the following directors who retire by rotation in accordance with the provisions of the Act, and the company's MOI, and who, being eligible, offer themselves for re-election:
Ordinary resolution number 1.2 "RESOLVED THAT Mr F W J Kilbourn be and is hereby re-elected as a director of the company".
Ordinary resolution number 1.3 "RESOLVED THAT Dr K I M Shongwe be and is hereby re-elected as a director of the company".
Ordinary resolution number 1.4 "RESOLVED THAT Ms W M Tlou be and is hereby re-elected as a director of the company".

Brief biographies in respect of each retiring director appear on pages 32 to 33 of the Integrated Report.

3. Ordinary resolution number 2: Re-appointment of external auditor

Upon the recommendation of the audit committee to re-appoint KPMG Inc. as the independent auditors of the company for the ensuing year to hold office until the next annual general meeting, with Mr J Wessels as the designated partner and to authorise the audit committee to determine the auditors' terms of engagement and remuneration.

"RESOLVED THAT KPMG Inc. be and are hereby re-appointed as the auditors of the company for the ensuing year, with Mr J Wessels as the designated partner and that the audit committee be and is hereby authorised to determine the auditors' terms of engagement and remuneration."

4. Ordinary resolution number 3: Appointment of group audit committee members

To elect, by way of a series of votes, and subject, where necessary, to their re-election as directors of the company in terms of ordinary resolution 1 above, the following independent non-executive directors as members of the audit committee to hold office until the next annual general meeting:
Ordinary resolution number 3.1 "RESOLVED THAT Mr S G Morris be and is hereby elected as a member and the chairman of the audit committee".
Ordinary resolution number 3.2 "RESOLVED THAT Mr G G Huysamer be and is hereby elected as a member of the audit committee".
Ordinary resolution number 3.3 "RESOLVED THAT Mr F W J Kilbourn be and is hereby elected as a member of the audit committee".
Ordinary resolution number 3.4 "RESOLVED THAT Mrs N Medupe be and is hereby elected as a member of the audit committee".

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

5. Ordinary resolution number 4: Signature of documents

"RESOLVED THAT any one director and/or the group company secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary to implement all the resolutions set out in this notice convening this annual general meeting at which this ordinary resolution will be considered."

6. Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, to ascertain the shareholders' view, the company's remuneration policy (excluding the remuneration of the non-executive directors) and its implementation, as set out in the remuneration report contained on pages 71 to 79 of the Integrated Report.

In terms of the King III Report, an advisory vote on the company's remuneration policy should be obtained from shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof, but will not be binding on the company.

7. Special resolution number 1: Approval of non-executive directors' remuneration

"RESOLVED THAT the remuneration payable to non-executive directors be approved as follows:

1 July 2015 to 30 June 2016	Annual fee payable with effect from 1 July 2015	Hourly rate payable with effect from 1 July 2015
Chairman of the board#	830 000	
Services as lead independent director	260 000	
Services as a director	200 000	
Chairman of audit committee	145 000	
– Other audit committee members	66 900	
Chairman of remuneration and nominations committee	128 400	
– Other remuneration and nominations committee members	57 450	
Chairman of risk committee	99 500	
– Other risk committee members	44 950	
Chairman of social and ethics committee	65 050	
Ad hoc/temporary committee		R1 765 capped at R35 300

Inclusive of all board and committee roles.

Thereafter, but only until expiry of 24 (twenty-four) months from the date of passing this special resolution has expired, or until amended by a special resolution passed prior to the expiry of such period, on the same basis as set out above, escalated as determined by the board by not more than 10% per annum per amount.

The reason for and effect of special resolution number 1 in terms of sections 65(11)(h), 66(8) and 66(9) of the Act, a company may only remunerate its directors for their services as directors in accordance with a special resolution approved by shareholders within the previous two years and if not prohibited by its memorandum of incorporation ("MOI").

The reason for and effect of the proposed resolution is to ensure that the level of fees paid to non-executive directors remains market-related and accords with the greater accountability and risk attached to the position.

While the overall increase in fees payable to the chairman of the various board and statutory committees and their members is proposed to increase by 7%, the proposed fee increase for both the lead independent director ("LID") and the directors serving on the board is 20,9% and 20,7%, respectively. The reason for the increase is to align the remuneration paid to the LID and directors with the market and level of responsibility associated with the respective roles.

The reason for proposing an ad hoc/temporary committee fee over and above the remuneration ordinarily paid to the non-executive directors, is to set a fee for participating in an ad hoc/temporary committee should circumstances necessitate the formation of one to consider a specific issue falling outside the scope of existing committees.

The board, on the recommendation of the remuneration and nomination committee, which in turn considered executive management's recommendation in this regard which benchmarked the fees paid to non-executive directors of similar-sized companies, has accepted the fees proposed in special resolution number 1 and recommends the same for approval by shareholders.

Refer to page 115 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on pages 71 to 79 of the Integrated Report for further detail on the company's remuneration practices.

8. Special resolution number 2: Financial assistance

"RESOLVED THAT: to the extent required by sections 44 and/or 45 of the Act, the board of the company may, subject to compliance with the requirements of the company's MOI, the Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in such amounts as the board of the company may from time to time resolve, by way of loan, guarantee, the provision of security or otherwise, to:

(i) any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and/or

(ii) any person who is a participant in any of the company's share or other employee incentive scheme, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, at any time during the period commencing on the date of the passing of this resolution and ending on the next annual general meeting."

The reason for and the effect of special resolution number 2
Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation and to a person related to any such company, corporation or member.

Further, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that:

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Act); and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financial agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest. This is particularly so where funding is raised by the foreign subsidiaries of the company, whether by way of borrowings or the issue of bonds or otherwise, for the purposes of the conduct of their operations. In the circumstances and in order to, inter alia, ensure that the company and its subsidiaries and other related and inter-related companies and entities continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain shareholder approval as set out in this special resolution number 2. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act.

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or corporation, and/or to a member of a related or inter-related company, to subscribe for options or securities of the company or another company related or inter-related to it. Under the Act, the company will require a special resolution referred to above to be adopted.

Accordingly, the approval of shareholders is sought to ensure that the company, its subsidiaries and other related and inter-related companies is able to effectively organise its internal financial administration.

9. Special resolution number 3: General authority to repurchase shares

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

- the general authority shall be valid only until the next annual general meeting or for 15 months from the date of this special resolution, whichever period is shorter;
- the repurchase being effected through the order book operated by the JSE trading system, without prior understanding or arrangement between the company and the counterparty;
- the company being authorised thereto by its MOI;
- repurchases not being made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- repurchases not exceeding 20% (twenty percent) in aggregate of the company's issued ordinary share capital in any one financial year;
- the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking their purchase of shares in writing to the JSE upon entering the market to proceed with the repurchase;
- the company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the prohibited period are fixed and full details of the programme have been announced on SENS prior to the commencement of the prohibited period;

- the company only appointing one agent to effect any repurchases on its behalf; and
- a resolution is passed by the board authorising the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that since performing the test there have been no material changes to the financial position of the company."
- The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting:
- the company and its subsidiaries will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company; and
- the company and its subsidiaries' ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the Integrated Report, is provided in terms of section 11.26 of the JSE Listings Requirements for purposes of this general authority:

- directors and management – pages 32 to 35;
- major beneficial shareholders – page 143;
- directors' interests in ordinary shares – page 85; and
- share capital of the company – page 110.

Litigation statement

The directors, whose names appear on pages 32 to 33 of the Integrated Report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had a material effect on the group's financial position in the 12 (twelve) months preceding the date of this notice of annual general meeting.

Directors' responsibility statement

The directors, whose names appear on pages 32 and 33 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the company and its subsidiaries since the date of signature of the Integrated Report and up to the date of posting.

Reason for and effect of special resolution number 3

The reason for and effect of the special resolution is to grant the company and its subsidiaries a general authority in terms of the Act and the JSE Listings Requirements to acquire shares in the company.

The general authority is also required by the company to perform its settlement obligations to employees participating in the company's various share or employee incentive schemes.

The board has no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the board deems to be in the best interests of the company and its shareholders, taking prevailing market conditions and other factors into consideration.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his stead.

A proxy need not be a shareholder of the company.

The form of proxy is only to be completed by those shareholders who are: holding shares in certificated form; or recorded on the sub-register in dematerialised form in "own name", and is attached for convenience.

All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms are requested to be forwarded to reach the company's transfer secretaries by not later than 14:00 on Tuesday, 10 November 2015.

The completion of a proxy form will not preclude a shareholder from attending the annual general meeting.

ELECTRONIC PARTICIPATION

The company intends to offer shareholders or their proxy's reasonable access to attend the annual general meeting through electronic conference call facilities, in accordance with the provisions of the Act. In the event that a shareholder or his/her proxy wishes to participate electronically in the annual general meeting, he/she is required to deliver written notice to the company at City Lodge Hotels Limited, Bryanston Gate Office Park, Building 7 (The Lodge), corner Homestead Avenue and Main Road, Bryanston, alternatively mvanheerden@clhg.com, marked for the attention of Mrs Melanie van Heerden, the company secretary, by no later than 14:00 on 5 November 2015 that he/she wishes to participate via electronic communication at the AGM (the electronic notice). In order for the electronic notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication; and (c) a valid email address and/or facsimile number (the contact address/number).

Voting on shares will not be possible via electronic communication and accordingly shareholders participating electronically and wishing to vote their shares at the annual general meeting will need to be represented at the annual general meeting, either in person, by proxy or by letter of representation. The company shall use its reasonable endeavours on or before 14:00 on 9 November 2015 to notify a shareholder, who has delivered a valid electronic notice, at its contact address/number, of the relevant details through which the shareholder can participate via electronic communication. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders or proxies request to so participate.

The cost of participating through the electronic conference call facilities will be for the account of the shareholder or his/her proxy.

By order of the board

MC van Heerden
Group company secretary

Bryanston
11 September 2015

FORM OF PROXY – CITY LODGE HOTELS LIMITED

For use at the twenty-ninth annual general meeting of members to be held on Thursday, 12 November 2015 at The Lodge, Bryanston Gate Office Park, corner Homestead Avenue and Main Road, Bryanston, at 14:00.

I/we, the undersigned ______________________________

of ______________________________

being the registered holder/s of ______________________________ ordinary shares

hereby appoint ______________________________

or failing him, ______________________________

or failing them, the chairman of the meeting as my/our proxy to act for me/us and vote for me/us on my/our behalf as indicated below at the annual general meeting of the company to be held on Thursday, 12 November 2015 at 14:00 and at any adjournment thereof.

		In favour of	Against	Abstain
1.	Adoption of the annual financial statements			
2.	Ordinary resolution 1 – Re-election of retiring directors			
2.1	Mr G G Huysamer			
2.2	Mr F W J Kilbourn			
2.3	Dr K I M Shongwe			
2.4	Ms WM Tlou			
3.	Ordinary resolution 2 – To reappoint KPMG Inc. as the independent auditors of the company for the ensuing year with J Wessels as the engagement partner and to authorise the directors to determine the auditors' remuneration			
4.	Ordinary resolution 3 – Appointment of group audit committee members			
4.1	Mr S G Morris			
4.2	Mr G G Huysamer			
4.3	Mr F W J Kilbourn			
4.4	Mrs N Medupe			
5.	Ordinary resolution 4 – Signature of documents			

		In favour of	Against	Abstain
6.	Endorsement of remuneration policy			
7.	Special resolution 1 – Approval of non-executive directors' remuneration			
7.1	Chairman (inclusive of all board and committee roles)			
7.2	Lead independent director			
7.3	Services as director			
7.4	Chairman of audit committee			
7.5	Other audit committee members			
7.6	Chairman of remuneration and nomination committee			
7.7	Other remuneration and nomination committee members			
7.8	Chairman of risk committee			
7.9	Other risk committee members			
7.10	Chairman of social and ethics committee			
7.11	Ad hoc/temporary committee			
8.	Special resolution 2 – Financial assistance			
9.	Special resolution 3 – General authority to repurchase shares			

Signature ______________________________ Date ______________________________

Assisted by me (where applicable) ______________________________

1. This form of proxy is to be completed only by certificated shareholders or dematerialised shareholders whose shares are recorded in their "own name".

2. Shareholders whose dematerialised shares are held in the name of a nominee and who wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively they have to instruct their CSDP or broker as to how they wish to vote. This must be done in terms of the agreement between the shareowner and the CSDP or the broker.

3. Shareholders who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries, Computershare Investor Services (Pty) Limited (Computershare) by no later than 14:00 on Tuesday, 10 November 2015.

4. Each shareholder is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.

5. A shareholder may insert the name of a proxy of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting". All deletions must be individually initialled by the shareholder, failing which they will not have been validly effected. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.

6. Voting instructions for each of the resolutions must be completed by filling in an "X", alternatively the number of votes (one per ordinary share) under the "In favour of", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.

7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the resolutions and in respect of which any abstention is recorded may, however, not exceed the total number of shares held by the shareholder.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the chairman of the annual general meeting.

9. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions and notes.

10. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

11. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person instead of the duly appointed proxy.

12. Form of proxy must be received by Computershare, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by no later than 14:00 on Tuesday, 10 November 2015.

13. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare.

14. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

ADMINISTRATION

City Lodge Hotels Limited

Incorporated in the Republic of South Africa

Registration number 1986/002864/06

ISIN: ZAE 000117792 Share code: CLH

Directors

BT Ngcuka (Chairman), C Ross (Chief executive)*,
FWJ Kilbourn, GG Huysamer, N Medupe, SG Morris,
Dr KIM Shongwe, W Tlou, AC Widegger*

**Executive*

Company secretary

MC van Heerden

Registered office

The Lodge

Bryanston Gate Office Park

Corner Homestead Avenue and Main Road

Bryanston, 2191

PO Box 97

Cramerview, 2060

Telephone: +27 11 557 2600

Facsimile +27 11 557 2670

Email: info@clhg.com

Websites: www.clhg.com

www.bid2stay.co.za

Transfer secretaries

Computershare Investor Services (Proprietary) Limited

70 Marshall Street

Johannesburg, 2001

PO Box 61051

Marshalltown, 2107

Auditors

KPMG Inc.

Bankers

The Standard Bank of South Africa Limited

Attorneys

Edward Nathan Sonnenbergs

Sponsor

J P Morgan Equities South Africa Proprietary Limited

BASTION GRAPHICS

CITY LODGE HOTEL GROUP