

SUPPLEMENTARY INFORMATION

RO00	Note	Six months ended 31 December 2016	% change	Six months ended 31 December 2015	(Audited) Year ended 30 June 2016
1. Headline earnings reconciliation					
Profit for the period		166 440		164 773	315 288
Profit on sale of equipment		–		–	(229)
Taxation effect		–		–	67
Headline earnings		166 440	1	164 773	315 126
Number of shares in issue (000's)		43 505		43 373	43 407
Weighted average number of shares in issue for EPS calculation (000's)	3	36 403		36 284	36 309
Weighted average number of shares in issue for diluted EPS calculation (000's)	3	36 517		36 500	36 537
Basic earnings per share (cents)					
– undiluted		457.2	1	454.1	868.3
– fully diluted		455.8	1	451.4	862.9
Headline earnings per share (cents)	4				
– undiluted		457.2	1	454.1	867.9
– fully diluted		455.8	1	451.4	862.5
2. Normalised headline earnings reconciliation					
Headline earnings		166 440		164 773	315 126
BEE transaction charges		351		521	858
Notional interest charge on BEE shareholder loan		2 720		2 368	4 905
BEE interest on interest-bearing borrowings		2 333		2 087	4 248
Preference dividends paid/payable by the BEE entities		24 100		21 280	44 368
Deferred tax on BEE transactions		(761)		(663)	(1 373)
Notional interest income on 10th anniversary employee share trust loan		–		2 330	2 330
10th anniversary employee share trust transaction charges and DWT		(228)		(152)	49
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		2 171		1 588	3 158
Normalised headline earnings		197 126	2	194 132	373 669
3. Number of shares (000's)					
Weighted average number of shares in issue for EPS calculation		36 403		36 284	36 309
BEE shares treated as treasury shares		6 390		6 390	6 390
10th anniversary employees share trust treated as treasury shares		509		538	527
Weighted average number of shares in issue for normalised EPS calculation		43 302		43 212	43 226
Weighted average number of shares in issue for diluted EPS calculation		36 517		36 500	36 537
BEE shares treated as treasury shares		6 390		6 390	6 390
10th anniversary employees share trust treated as treasury shares		509		538	527
Weighted average number of shares in issue for diluted normalised EPS calculation		43 416		43 428	43 454
4. Normalised headline earnings per share (cents)					
– undiluted		455.2	1	449.3	864.5
– fully diluted		454.0	2	447.0	859.9
5. Dividend declared per share (cents)					
		272.0	1	269.0	517.0
6. Dividend cover (times)					
– calculated on normalised headline earnings		1.7		1.7	1.7
7. Interest-bearing debt to total capital and reserves (%)					
– calculated on a normalised basis		17.9		16.3	16.8
8. Return on equity (%)					
– calculated on a normalised basis		23.5		25.4	24.5
9. Net asset value per share (cents)					
– calculated on a normalised basis		3 852		3 529	3 704

SUMMARISED STATEMENTS OF CASH FLOWS

RO00	Six months ended 31 December 2016	Six months ended 31 December 2015	(Audited) Year ended 30 June 2016
Operating profit before working capital changes	338 548	327 033	635 780
(Increase)/decrease in working capital	(19 818)	(22 077)	18 841
Cash generated by operations	318 730	304 956	654 621
Interest received	3 215	624	2 268
Interest paid	(19 777)	(18 061)	(37 593)
Taxation paid	(61 652)	(68 486)	(129 657)
Dividends paid	(93 212)	(86 241)	(184 316)
Cash inflow from operating activities	147 304	132 792	305 323
Cash utilised in investing activities	(104 575)	(95 372)	(191 893)
– investment to maintain operations	(13 833)	(43 429)	(81 963)
– investment to expand operations	(65 487)	(51 943)	(110 345)
– expenditure refundable on operating lease	(25 055)	–	–
– investments and loans	(200)	–	–
– proceeds on disposal of property, plant and equipment	–	–	415
Cash inflows/(outflows) from financing activities	19 124	(43 468)	(40 659)
– proceeds from issue of ordinary shares	6 036	1 757	3 956
– purchase of incentive scheme shares	(10 112)	(39 225)	(43 525)
– increase in interest-bearing borrowings	30 000	–	20 000
– redemption of BEE preference shares	(6 800)	(6 000)	(14 600)
– settlement of retirement benefit obligation	–	–	(6 350)
– distribution by BEE structured entity	–	–	(140)
Net increase/(decrease) in cash and cash equivalents	61 853	(6 048)	72 771
Cash and cash equivalents at beginning of the period	104 309	73 346	73 346
Reclassification of cash and cash equivalents to other investments	–	–	(56 860)
Effect of movements in exchange rates on cash held	(4 925)	18 884	15 052
Cash and cash equivalents at end of the period	161 237	86 182	104 309

STATEMENTS OF CHANGES IN EQUITY

RO00	Share capital and premium	Treasury shares	Other reserves	Retained earnings	Total
Balance at 30 June 2015	164 002	(515 728)	108 051	971 117	727 442
Total comprehensive income for the period	–	–	44 004	164 773	208 777
Profit for the period				164 773	164 773
<i>Other comprehensive income</i>					
Foreign currency translation differences			44 004		44 004
Transactions with owners, recorded directly in equity	1 757	(8 500)	(3 554)	(106 553)	(116 850)
Issue of new ordinary shares	1 757				1 757
Incentive scheme shares		(8 500)	(10 413)	(20 312)	(39 225)
Share compensation reserve			6 859		6 859
Dividends paid				(86 241)	(86 241)
Balance at 31 December 2015	165 759	(524 228)	148 501	1 029 337	819 369
Total comprehensive income for the period	–	–	(9 911)	155 430	145 519
Profit for the period				150 515	150 515
<i>Other comprehensive income</i>					
Defined-benefit plan remeasurements, net of tax				4 915	4 915
Foreign currency translation differences			(9 911)		(9 911)
Transactions with owners, recorded directly in equity	2 199	–	6 426	(101 685)	(93 060)
Issue of new ordinary shares	2 199				2 199
Incentive scheme shares		(830)	(3 470)		(4 300)
Share compensation reserve		7 256			7 256
Dividends paid				(98 075)	(98 075)
Distribution by BEE structured entity				(140)	(140)
Balance at 30 June 2016	167 958	(524 228)	145 016	1 083 082	871 828
Total comprehensive income for the period	–	–	(22 933)	166 440	143 507
Profit for the period				166 440	166 440
<i>Other comprehensive income</i>					
Foreign currency translation differences			(22 933)		(22 933)
Transactions with owners, recorded directly in equity	6 036	(2 501)	2 190	(95 101)	(89 376)
Issue of new ordinary shares	6 036				6 036
Incentive scheme shares		(2 501)	(5 722)	(1 889)	(10 112)
Share compensation reserve			7 912		7 912
Dividends paid				(93 212)	(93 212)
Balance at 31 December 2016	173 994	(526 729)	124 273	1 154 421	925 959



**UNAUDITED
INTERIM REPORT
FOR THE SIX MONTHS
ENDED 31 DECEMBER 2016**

CITY LODGE HOTEL GROUP

City Lodge Hotels Limited Registration number: 1986/002864/06 Share code: CLH ISIN: ZAE 000117792

66%
AVERAGE OCCUPANCIES

+2%
NORMALISED DILUTED HEADLINE EPS

24%
RETURN ON EQUITY



STATEMENTS OF COMPREHENSIVE INCOME

RO00	Note	Six months ended 31 December 2016	% change	Six months ended 31 December 2015	(Audited) Year ended 30 June 2016
Revenue		791 273	5	753 442	1 493 163
Administration and marketing costs		(50 200)		(54 893)	(98 019)
BEE transaction charges	2	(351)		(521)	(858)
Operating costs excluding depreciation		(408 400)		(381 248)	(773 490)
		332 322	5	316 780	620 796
Depreciation and amortisation		(51 640)		(46 748)	(96 399)
Results from operating activities		280 682	4	270 032	524 397
Interest income		3 216		624	2 268
Total interest expense		(40 348)		(35 560)	(74 523)
Interest expense		(11 195)		(9 825)	(21 002)
Notional interest on BEE shareholder loan	2	(2 720)		(2 368)	(4 905)
BEE interest expense	2	(2 333)		(2 087)	(4 248)
BEE preference dividend	2	(24 100)		(21 280)	(44 368)
Profit before taxation		243 550	4	235 096	452 142
Taxation		(77 110)		(70 323)	(136 854)
Profit for the period		166 440	1	164 773	315 288
Other comprehensive income					
Items that will never be reclassified to profit and loss					
Defined benefit plan remeasurements		–		–	6 827
Income tax on other comprehensive income		–		–	(1 912)
Items that are or may be reclassified to profit and loss					
Foreign currency translation differences		(22 933)		44 004	34 093
Total comprehensive income for the period		143 507	(31)	208 777	354 296

STATEMENTS OF FINANCIAL POSITION

RO00	31 December 2016	31 December 2015	(Audited) 30 June 2016
ASSETS			
Non-current assets	1 910 442	1 851 573	1 895 445
Property, plant and equipment	1 856 505	1 808 435	1 844 140
Intangible assets	47 713	38 077	45 558
Deferred taxation	6 224	5 061	5 747
Current assets	391 335	302 753	306 648
Inventories	7 763	8 719	7 734
Trade receivables	91 688	114 295	97 408
Other receivables	78 702	45 050	35 948
Taxation	–	5 847	4 389
Other investments	51 945	–	56 860
Cash and cash equivalents	161 237	128 842	104 309
Total assets	2 301 777	2 154 326	2 202 093
EQUITY			
Capital and reserves	925 959	819 369	871 828
Share capital and premium	173 994	165 759	167 958
BEE investment and incentive scheme shares	(526 729)	(524 228)	(524 228)
Retained earnings	1 154 421	1 029 337	1 083 082
Other reserves	124 273	148 501	145 016
LIABILITIES			
Non-current liabilities	554 829	1 172 621	1 196 572
Interest-bearing borrowings	300 000	250 000	270 000
BEE interest-bearing borrowings	–	44 120	44 120
BEE preference shares	–	406 100	397 500
BEE shareholder's loan	–	35 356	37 893
BEE preference share dividend accrual	–	183 350	200 171
Other non-current liabilities	100 692	115 694	102 203
Deferred taxation	154 137	138 001	144 685
Current liabilities	820 989	162 336	133 693
BEE interest-bearing borrowings	44 120	–	–
BEE preference shares	390 700	–	–
BEE shareholder's loan	40 613	–	–
BEE preference share dividend accrual	221 169	3 074	3 147
Trade and other payables	122 736	116 602	130 546
Taxation payable	1 651	–	–
Bank overdraft	–	42 660	–
Total liabilities	1 375 818	1 334 957	1 330 265
Total equity and liabilities	2 301 777	2 154 326	2 202 093

Note: The company has authorised capital commitments of R662 million of which approximately R447 million has been contracted. It is anticipated that approximately R328 million of the authorised commitments will be spent by 30 June 2017. In addition, R96 million has been authorised in respect of the construction of buildings to be leased, of which, R25 million (included in other receivables) has been spent as at 31 December 2016. City Lodge is funding the expenditure during construction and will be refunded the entire amount, by the landlord, on completion.

COMMENTARY

Average occupancies for the group in the six months to 31 December 2016 declined by three percentage points to 66%. This was due mainly to a weaker performance in South Africa where occupancies also fell by three percentage points. Occupancies in Botswana were on a par with the previous year while the Kenyan operations achieved slightly higher occupancies.

As anticipated in the 2016 financial year end results commentary, the group's South African hotels were negatively affected by the prevailing low business and consumer confidence. This was exacerbated by the lead up to and the holding of the local government elections in August. Coastal hotels were shielded to some extent by favourable inbound tourism volumes.

Total revenue grew by 5,0% to R791,3 million, benefiting from an inflationary increase in room rates and first time contributions from the 90-room Road Lodge Pietermaritzburg and the 148-room City Lodge Hotel Newtown. This hotel has, however, had a relatively disappointing start.

Operating costs were again well contained, with total normalised operating costs increasing by 7,0%. The total normalised EBITDA margin for the group was in line with the previous year, while the South African normalised EBITDA margin increased by 0,3 percentage points to 42,4%. The Botswana and Kenya margins were slightly lower due to a weakening of their respective exchange rates. Total normalised EBITDA for the group increased by 5,0% to R334,9 million. Depreciation and amortisation rose by 10,5%, interest income rose slightly due to higher average cash balances, and interest paid increased due to higher interest rates and R30 million of additional borrowings.

Normalised profit before tax for the group increased by 3,7% to R275,2 million, while normalised headline earnings grew by only 1,5% to R197,1 million as a result of a slightly higher effective tax rate. Fully diluted normalised headline earnings per share increased by 1,6% to 454,0 cents.

The funding associated with the group's BEE transaction, which was concluded in 2008, is due for redemption and/or repayment on 31 December 2017. As a result, the associated liabilities on the balance sheet, which are well covered by the value of the underlying shares, have been reclassified from non-current to current.

In line with the group's policy of paying out 60% of normalised earnings, a gross interim dividend of 272,0 cents per share has been declared, 1,1% higher than the previous year's interim dividend.

DEVELOPMENT ACTIVITY

East Africa

Significant progress has been achieved in the development of our new East African hotels – the 172-room City Lodge Hotel Two Rivers in Nairobi, Kenya, and the 147-room City Lodge Hotel Dar es Salaam in Tanzania's capital city. City Lodge Hotel Two Rivers is expected to be completed in the beginning of the third quarter of 2017 and City Lodge Hotel Dar es Salaam is likely to open its first rooms towards the end of the fourth quarter of 2017.

Southern Africa

In Namibia, development of the 147-room Town Lodge Windhoek is progressing well and the hotel is expected to open in the third quarter of 2017.

Final approvals were received in early January for the development of a 148-room City Lodge Hotel in Maputo, Mozambique. Contractors began work on the site in late January and it is expected that the hotel will open in the second quarter of 2018.

DIRECTORATE

It was a great pleasure to welcome Sizakele Marutlulle to the board as an independent non-executive director with effect from 1 October 2016. Her considerable experience in brand communication and business leadership across various industries will be of benefit to the group.

OUTLOOK

Trading in the first six weeks of 2017 has been mixed, making it difficult to ascertain an outlook trend for the second half of the financial year. Stronger economic growth and improved business and consumer confidence would be catalysts for a stronger performance by the group.

SEGMENT REPORT

Primary segment	Courtyard		City Lodge		Town Lodge		Road Lodge		Central office and other		Total	
RO00	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	35 855	39 908	405 723	379 582	121 881	119 572	154 297	145 187	73 517	69 193	791 273	753 442
EBITDAR	14 269	18 152	245 445	227 208	62 323	59 785	88 259	83 733	(34 330)	(31 092)	375 966	357 786
Land and hotel building rental	–	–	–	–	–	–	–	–	(43 644)	(41 006)	(43 644)	(41 006)
EDITDA	–	–	–	–	–	–	–	–	332 322	–	332 322	316 780
Depreciation and amortisation	(2 056)	(2 168)	(11 435)	(9 811)	(3 716)	(3 438)	(5 906)	(5 805)	(28 527)	(25 526)	(51 640)	(46 748)
Results from operating activities	–	–	–	–	–	–	–	–	280 682	–	280 682	270 032
Geographic information							South Africa		Rest of Africa		Total	
							2016	2015	2016	2015	2016	2015
Revenue							717 756	684 249	73 517	69 193	791 273	753 442
Non-current assets – property, plant and equipment							1 303 177	1 345 994	553 328	462 441	1 856 505	1 808 435

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

BASIS OF PREPARATION

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The condensed group financial information has been presented on the historical cost basis, except for the defined benefit plan measured at the fair value of plan assets less the present value of the defined benefit obligation, and are presented in Rand thousands which is City Lodge's functional and presentation currency.

These condensed interim financial statements were prepared under the supervision of Mr AC Widgegger CA(SA), in his capacity as group financial director.

DECLARATION OF DIVIDEND

The board has approved and declared interim dividend number 56 of 272 cents per ordinary share (gross) in respect of the six months ended 31 December 2016.

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

- The dividend has been declared out of income reserves;
- The local Dividends Tax rate is 15% (fifteen per centum);
- The gross local dividend amount is 272 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 231.2 cents per ordinary share for shareholders liable to pay the Dividends Tax;
- The company currently has 43 504 813 ordinary shares in issue; and
- The company's income tax reference number is 9041001711.

Shareholders are advised of the following dates:

Last date to trade cum dividend	Tuesday, 7 March 2017
Shares commence trading ex dividend	Wednesday, 8 March 2017
Record date	Friday, 10 March 2017
Payment of dividend	Monday, 13 March 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 March 2017 and Friday, 10 March 2017, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka	Clifford Ross
Chairman	Chief executive

16 February 2017

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Registered office: The Lodge, Bryanston Gate Office Park, Corner Homestead Avenue and Main Road, Bryanston, 2191
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Directors: BT Ngcuka (chairman), C Ross (chief executive)*, GG Huysamer, FWJ Kilbourn, MSP Marutlulle, N Medupe, SG Morris, VM Rague*, Dr KIM Shongwe, AC Widgegger* *Executive +Kenyan
Company secretary: MC van Heerden **Sponsor:** JP Morgan Equities South Africa Proprietary Limited