Supplementary information

R000	Note	Six months ended 31 December 2019	% change	Six months ended 31 December 2018	(Audited) Year ended 30 June 2019
1. Headline earnings reconciliation					
Profit for the period		**46 278**		138 583	205 456
Profit on sale of property, plant and equipment		**–**		–	(170)
Taxation effect		**–**		–	48
Headline earnings		**46 278**	(67)	138 583	205 334
Number of shares in issue (000's)		**43 574**		43 574	43 574
Weighted average number of shares in issue for EPS calculation (000's)	3	**36 599**		36 575	36 556
Weighted average number of shares in issue for diluted EPS calculation (000's)	3	**36 619**		36 645	36 642
Headline earnings per share (cents)	4				
– undiluted		**126,4**	(67)	378,9	561,7
– fully diluted		**126,4**	(67)	378,2	560,4
2. Normalised headline earnings reconciliation					
Headline earnings		**46 278**		138 583	205 334
BEE transaction charges		**229**		132	352
BEE interest on interest-bearing borrowings		**2 135**		2 247	4 187
Preference dividends paid/payable by the BEE entities		**25 732**		25 761	51 005
10th anniversary employee share trust transaction charges and DWT		**(244)**		(265)	(43)
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		**1 475**		2 091	4 148
Reversal of impairment of other investment in Chase Bank Kenya (net of tax)		**–**		(9 403)	(9 403)
Pre-opening expenses write-off (net of tax)		**4 834**		4 178	11 487
Normalised headline earnings		**80 439**	(51)	163 324	267 067
3. Number of shares (000's)					
Weighted average number of shares in issue for EPS calculation		**36 599**		36 575	36 556
BEE shares treated as treasury shares		**6 390**		6 390	6 390
10th anniversary employee share trust treated as treasury shares		**507**		507	506
Weighted average number of shares in issue for normalised EPS calculation		**43 496**		43 472	43 452
Weighted average number of shares in issue for diluted EPS calculation		**36 619**		36 645	36 642
BEE shares treated as treasury shares		**6 390**		6 390	6 390
10th anniversary employee share trust treated as treasury shares		**507**		507	506
Weighted average number of shares in issue for diluted normalised EPS calculation		**43 516**		43 542	43 538
4. Normalised headline earnings per share (cents)*					
– undiluted		**184,9**	(51)	375,7	614,6
– fully diluted		**184,8**	(51)	375,1	613,4
– fully diluted excluding IFRS 16		**254,4**	(32)	375,1	613,4
5. Dividend declared per share (cents)		**153,0**	(33)	229,0	366,0
6. Dividend cover (times)					
– calculated on normalised headline earnings excluding IFRS 16		**1,7**		1,6	1,7
7. Effect of IFRS 16 *Leases* on normalised headline earnings					
Normalised headline earnings		**80 439**			
Net effect on adoption of IFRS 16 (69,6 cents)		**30 269**			
Lease expense previously included in operating cost		**(60 576)**			
Depreciation – leases		**48 629**			
Interest expense – leases		**53 942**			
Taxation effect		**(11 726)**			
Normalised headline earnings excluding IFRS 16		**110 708**	(32)	163 324	267 067
8. Interest-bearing debt (excluding lease liabilities) to equity (%)					
– calculated on a normalised basis		**33,4**		33,7	33,9
9. Return on average equity (%)					
– calculated on a normalised basis		**9,4**		17,2	14,0
10. Net asset value per share (cents)					
– calculated on a normalised basis		**4 530**		4 495	4 471

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

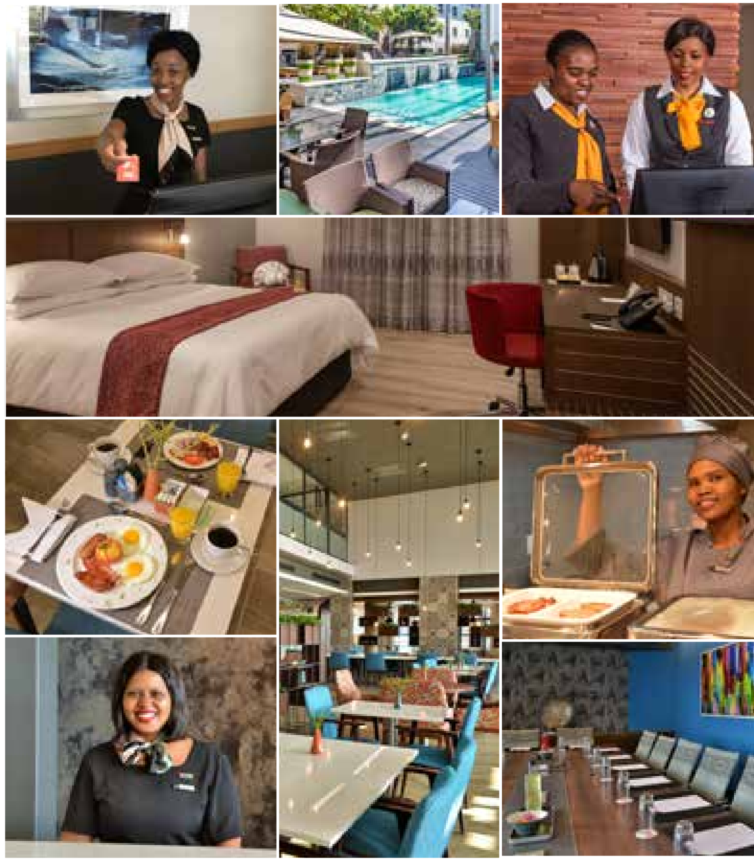
Summarised statements of cash flows

R000	Six months ended 31 December 2019	Six months ended 31 December 2018	(Audited) Year ended 30 June 2019
Operating profit before working capital changes	**299 892**	271 065	461 479
(Increase)/decrease in working capital	**(67 989)**	(38 845)	31 288
Cash generated by operations	**231 903**	232 220	492 767
Interest received	**1 786**	959	2 233
Interest paid	**(41 322)**	(28 289)	(64 774)
Interest paid – leases	**(53 942)**		
Taxation paid	**(33 770)**	(46 605)	(95 101)
Dividends paid	**(52 098)**	(75 969)	(160 100)
Cash inflow from operating activities	**52 557**	82 316	175 025
Cash utilised in investing activities	**(93 997)**	(197 460)	(371 965)
– investment to maintain operations	**(46 795)**	(17 817)	(71 785)
– investment to expand operations	**(47 202)**	(179 043)	(335 346)
– expenditure refundable on operating lease	**–**	–	35 554
– purchase of investment	**–**	(600)	(600)
– proceeds on disposal of property, plant and equipment	**–**	–	212
Cash inflows from financing activities	**(17 053)**	73 670	195 019
– repayment of lease liability	**(12 113)**		
– purchase of incentive scheme shares	**(2 940)**	(1 530)	(2 381)
– increase in interest-bearing borrowings	**–**	80 000	210 000
– redemption of BEE preference shares	**(2 000)**	(4 800)	(12 600)
Net decrease in cash and cash equivalents	**(58 493)**	(41 474)	(1 921)
Cash and cash equivalents at beginning of the period	**71 046**	53 093	53 093
Reclassification of other investments to cash and cash equivalents	**6 577**	20 398	20 398
Effect of movements in exchange rates on other investments	**(91)**	(1 178)	(430)
Effect of movements in exchange rates on cash held	**206**	522	(94)
Cash and cash equivalents at end of the period	**19 245**	31 361	71 046

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

Statements of changes in equity

R000	Share capital and premium	Treasury shares	Other reserves	Retained earnings	Total
Balance at 30 June 2018	179 503	(524 984)	138 173	1 265 174	1 057 866
Total comprehensive income for the period	–	–	12 262	138 583	150 845
Profit for the period				138 583	138 583
Other comprehensive income					
Foreign currency translation differences			12 262		12 262
Transactions with owners, recorded directly in equity	–	6 970	(2 906)	(75 969)	(71 905)
Incentive scheme shares		(1 530)	5 594		4 064
Share compensation reserve		8 500	(8 500)		–
Dividends paid				(75 969)	(75 969)
Balance at 31 December 2018	179 503	(518 014)	147 529	1 327 788	1 136 806
Total comprehensive income for the period	–	–	(14 659)	66 873	52 214
Profit for the period				66 873	66 873
Other comprehensive income					
Foreign currency translation differences			(14 659)		(14 659)
Transactions with owners, recorded directly in equity	–	–	4 813	(87 132)	(82 319)
Incentive scheme shares			(11 944)	(3 001)	(14 945)
Share compensation reserve			16 757		16 757
Dividends paid				(84 131)	(84 131)
Balance at 30 June 2019	179 503	(518 014)	137 683	1 307 529	1 106 701
Total comprehensive income for the period	**–**	**–**	**5 575**	**46 278**	**51 853**
Profit for the period				**46 278**	**46 278**
Other comprehensive income					
Foreign currency translation differences			**5 575**		**5 575**
Transactions with owners, recorded directly in equity	**–**	**3 633**	**(2 569)**	**(52 098)**	**(51 034)**
Incentive scheme shares		**(2 940)**	**4 004**		**1 064**
Share compensation reserve		**6 573**	**(6 573)**		**–**
Dividends paid				**(52 098)**	**(52 098)**
Balance at 31 December 2019	**179 503**	**(514 381)**	**140 689**	**1 301 709**	**1 107 520**



CITY LODGE HOTEL GROUP

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

Unaudited interim report for the six months ended 31 December 2019

www.clhg.com

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COURTYARD HOTEL
CITY LODGE HOTEL
TOWN LODGE BY CITY LODGE HOTELS
ROAD LODGE BY CITY LODGE HOTELS

Statements of comprehensive income

R000	Note	Six months ended 31 December 2019	% change	Six months ended 31 December 2018	(Audited) Year ended 30 June 2019
Revenue		**809 251**	0,2	807 414	1 547 984
Other income		**2 891**		–	4 475
Administration and marketing costs		**(55 761)**		(56 478)	(106 432)
BEE transaction charges	2	**(229)**		(132)	(352)
Impairment loss on trade and other receivables		**(979)**		–	(2 198)
Operating costs excluding depreciation	7	**(470 470)**		(461 319)	(961 422)
		284 703	(2)	289 485	482 055
Depreciation and amortisation		**(64 189)**		(57 951)	(117 471)
Depreciation – leases	7	**(48 629)**			
Results from operating activities		**171 885**	(26)	231 534	364 584
Interest income		**1 786**		959	2 233
Total interest expense		**(97 436)**		(29 197)	(59 842)
Interest expense		**(15 627)**		(1 189)	(4 650)
Interest expense – leases	7	**(53 942)**			
BEE interest expense	2	**(2 135)**		(2 247)	(4 187)
BEE preference dividend	2	**(25 732)**		(25 761)	(51 005)
Profit before taxation		**76 235**	(63)	203 296	306 975
Taxation		**(29 957)**		(64 713)	(101 519)
Profit for the period		**46 278**	(67)	138 583	205 456
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		**5 575**		12 262	(2 397)
Total comprehensive income for the period		**51 853**	(66)	150 845	203 059
Basic earnings per share (cents)					
– undiluted		**126,4**	(67)	378,9	562,0
– fully diluted		**126,4**	(67)	378,2	560,7

Statements of financial position

R000	As at 31 December 2019	As at 31 December 2018	(Audited) Year ended 30 June 2019
ASSETS			
Non-current assets	**4 027 567**	2 551 753	2 722 355
Property, plant and equipment	**2 673 048**	2 468 922	2 630 411
Right-of use-assets	**1 261 397**		
Intangible assets and goodwill	**52 215**	52 560	55 358
Investments	**800**	800	800
Other investments	**6 624**	13 599	13 073
Deferred taxation	**33 483**	15 872	22 713
Current assets	**310 729**	324 873	303 373
Inventories	**7 340**	7 621	7 978
Trade receivables	**84 850**	101 873	77 369
Other receivables	**149 056**	161 132	128 468
Taxation	**19 077**	3 450	11 935
Other investments	**6 540**	6 799	6 577
Cash and cash equivalents	**43 866**	43 998	71 046
Total assets	**4 338 296**	2 876 626	3 025 728
EQUITY			
Capital and reserves	**1 107 520**	1 136 806	1 106 701
Share capital and premium	**179 503**	179 503	179 503
BEE investment and incentive scheme shares	**(514 381)**	(518 014)	(518 014)
Retained earnings	**1 301 709**	1 327 788	1 307 529
Other reserves	**140 689**	147 529	137 683
LIABILITIES			
Non-current liabilities	**3 012 846**	1 557 211	1 701 435
Interest-bearing borrowings	**660 000**	530 000	660 000
BEE interest-bearing borrowings	**44 120**	44 120	44 120
BEE preference shares	**353 000**	362 800	355 000
BEE shareholder loan	**50 000**	50 000	50 000
BEE B preference share dividend accrual	**337 220**	294 679	315 604
Lease liabilities	**1 357 614**		
Other non-current liabilities	**–**	83 362	78 899
Deferred taxation	**210 892**	192 250	197 812
Current liabilities	**217 930**	182 609	217 592
Trade and other payables	**173 006**	169 972	217 592
Lease liabilities	**20 303**		
Bank overdraft	**24 621**	12 637	–
Total liabilities	**3 230 776**	1 739 820	1 919 027
Total equity and liabilities	**4 338 296**	2 876 626	3 025 728

Note: The company has authorised capital commitments of R225 million of which approximately R59 million has been contracted. It is anticipated that approximately R110 million of the authorised commitments will be spent by 30 June 2020.

Commentary

Average occupancies for the group in the six months to 31 December 2019 declined to 54% from 58% in the previous interim period.

Occupancies in South Africa, where the group has the majority of its hotels, were also four percentage points lower, declining to 57% from 61% in a challenging operating environment impacted by persistent low levels of economic growth and business and consumer confidence. Despite all of the group's rest of African hotels – apart from the Fairview Hotel in Nairobi – showing improved occupancies on the previous corresponding period, they continue to perform below expectations.

Total revenue increased by 0,2% to R809,3 million with a decrease in revenue in South Africa being partially offset by increased revenue in the other African countries. Room rate increases in South Africa were below inflation as a result of increased capacity, competitor discounting and pressure on business and consumer travel budgets.

Due to the implementation of IFRS 16 *Leases*, reported operating costs increased by only 2%. Excluding the effects of IFRS 16 normalised operating costs increased by 10,9% and the EBITDA margin decreased by six percentage points to 28,8%. Operating costs in South Africa were contained to an increase of 5,7% resulting in an EBITDA margin of 31,9% and EBITDA of R233,3 million, excluding the new Town Lodge Umhlanga, this increase was 3,7%.

Depreciation and amortisation on owned assets increased by 11% while a depreciation charge for right-of-use assets of R48,6 million was raised for the first time. Interest income increased by R800 000 and the interest expense rose by R14,4 million to R15,6 million as a result of lower borrowing costs being capitalised as the construction of new hotels came to an end. An interest expense – leases of R53,9 million has now been raised in relation to the lease liabilities.

Normalised profit before tax for the group declined by 50% to R112,8 million while normalised headline earnings declined by 51% to R80,4 million. Excluding the effects of IFRS 16, normalised headline earnings of R110,7 million were 32% lower than the prior period. On the same basis, in South Africa, the normalised headline earnings at R132,6 million were down by 14%.

Fully diluted normalised headline earnings per share ("HEPS") decreased by 51% to 184,8 cents. Excluding the effects of IFRS 16, fully diluted normalised HEPS decreased by 32% to 254,4 cents. In line with the group's policy of paying out 60% of normalised headline earnings, adjusted for unrealised foreign exchange gains and losses and the effects of IFRS 16, a gross interim dividend of 153 cents has been declared, 33% lower than in the previous year.

During the period, the group extended the maturity of the R450 million interest-bearing borrowings due for repayment by the end of 2020 to the end of 2022, at an improved interest rate.

The group's application to the Kenyan authorities for an investment deduction allowance for City Lodge Hotel at Two Rivers Mall in Nairobi was approved during the period at 100% of the approved building costs. This allowance will be utilised against the taxable income of the Kenyan subsidiary.

In August 2019, and in line with the Kenyan Central Bank's announcement, the first of three equal instalments of cash deposits previously held with Chase Bank Kenya (in receivership) were released to the company. The cash received was reclassified to cash and cash equivalents. The remaining 25% of deposits remain as other investments, and will be released in two further equal instalments in August 2020 and August 2021.

Development activity

South Africa

The 154-room Town Lodge Umhlanga became fully operational in October 2019, introducing an exciting new look and feel for the Town Lodge brand for the discerning business and leisure travel market.

Construction of the 168-room Courtyard Hotel Waterfall City is progressing well and it is anticipated that the first rooms will open in November 2020 and the balance in early 2021.

The roll-out of solar power generation capabilities at 25 of the group's hotels was completed during the period. These systems will generate sufficient energy to supply approximately 30% of the individual hotel's energy demands, and will lower the group's overall energy consumption from non-renewable sources by approximately 10%, further reducing its overall carbon footprint.

Southern Africa

The 148-room City Lodge Hotel Maputo opened its first rooms in the second week of February with the balance scheduled to become available by the end of March 2020. This will bring to an end the current phase of the group's targeted expansion strategy in Southern and East Africa.

On completion of Courtyard Hotel Waterfall City, the group will offer 8 070 rooms at 63 hotels.

Directorate

Following the resignation of Alastair Dooley as chief financial officer (announced on 30 October, 2019), the group welcomes Dhanisha Nathoo as chief financial officer and member of the board and risk committee with effect from 9 March 2020.

Outlook

The first seven weeks of the second half of the financial year have seen some better trends, with occupancies running at similar levels to the prior year.

New catalysts are needed to improve the underperforming South African economy. It is hoped that the forthcoming National Budget announcement, along with efforts to restructure Eskom and other state-owned enterprises, will help to revive the economy.

The group is encouraged by some new government initiatives such as the e-Visa system being piloted with Kenya and the long awaited scrapping of the requirement for unabridged birth certificates for foreign minors. These are both measures that can assist the growth of inbound tourism to South Africa, yet on the other hand, the threat of the coronavirus may have a negative impact on global travel.

The group's portfolio of hotels is in excellent shape to benefit from economic growth and improved business and consumer confidence levels, as and when they occur.

Basis of preparation

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, 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, with the exception of the adoption of IFRS 16 *Leases*.

The adoption of IFRS 16 was applied, using the modified retrospective approach, without restating comparative figures. No adjustments were made to opening retained earnings. On transition, the straight-lining accrued liability was off-set against the right-of-use asset. No other pronouncements had any material impact on the group.

The condensed group financial information has been presented on the historical cost basis, 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 A W Dooley CA(SA), in his capacity as chief financial officer.

Implementation of IFRS 16 *Leases*

The group has changed its accounting policy following the adoption of IFRS 16 *Leases* in the preparation of these interim results. Refer to note 7 of the supplementary information for further information on the effect on the statement of comprehensive income.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous lease standard, IAS 17, and related interpretations.

Under IAS 17, the group accounted for operating leases by charging lease payments to profit or loss on a straight-line basis over the initial period of the lease. The group had no finance leases at 1 July 2019.

IFRS 16 has one model for lessees which results in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the balance sheet, requiring a right-of-use asset and a lease liability to be recognised. At 1 July 2019, the group raised a right-of-use asset of R1,3 billion, and a lease liability of R1,4 billion.

Lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The group's respective weighted average incremental borrowing rate applied to these lease liabilities on 1 July 2019 was 9,125%. The group has elected to measure right-of-use assets on transition date at their carrying amounts as if IFRS 16 had applied since the lease commencement dates, discounted using the incremental borrowing rate as at the date of initial application.

As part of the modified retrospective approach, the group has elected to apply the practical expedient which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics. The group has applied the recognition exemptions for short-term leases (leases which have a lease term of 12 months or less) and leases of low-value items.

Pro forma financial information

The supplementary information, contains information presented on a normalised basis. This information is the responsibility of the company's directors and has been prepared for illustrative purposes only. It may not fairly present the company's financial position, changes in equity, results of operations or cash flows and has not been reviewed or reported on by the group's auditors.

Declaration of dividend

The board has approved and declared interim dividend number 62 of 153,0 cents per ordinary share (gross) in respect of the six months ended 31 December 2019.

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

- The dividend has been declared out of income reserves;
- The local Dividend Tax rate is 20% (twenty per centum);
- The gross local dividend amount is 153,0 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 122,4 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- The Company currently has 43 573 893 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, 10 March 2020
Shares commence trading ex dividend	Wednesday, 11 March 2020
Record date	Friday, 13 March 2020
Payment of dividend	Monday, 16 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020, both days inclusive.

The JSE link to the announcement is https://senspdf.jse.co.za/documents/2020/jse/isse/CLH/ie2019.pdf.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

19 February 2020

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: B T Ngcuka (Chairman), A Widegger (Chief executive officer)*, A W Dooley*, G G Huysamer, F W J Kilbourn, M S P Marutlulle, N Medupe, S G Morris, V M Rague†, L G Siddo*
† *Kenyan* * *Executive*
Company secretary: M C van Heerden
Sponsor: Nedbank Corporate and Investment Banking

Segment report

Primary segment R000	Courtyard 2019	Courtyard 2018	City Lodge 2019	City Lodge 2018	Town Lodge 2019	Town Lodge 2018	Road Lodge 2019	Road Lodge 2018	Central office and rest of Africa 2019	Central office and rest of Africa 2018	Total 2019	Total 2018
Revenue	**35 592**	34 023	**414 777**	419 597	**123 687**	118 199	**157 278**	163 428	**77 917**	72 167	**809 251**	807 414
EBITDAR	**8 511**	10 418	**213 583**	227 843	**46 271**	50 819	**74 671**	83 987	**(54 301)**	(26 473)	**288 735**	346 594
Land and hotel building rental									**(4 032)**	(57 109)	**(4 032)**	(57 109)
EBITDA											**284 703**	289 485
Depreciation and amortisation	**(1 735)**	(2 044)	**(10 906)**	(12 529)	**(4 598)**	(3 660)	**(5 688)**	(5 219)	**(41 262)**	(34 499)	**(64 189)**	(57 951)
Depreciation – leases									**(48 629)**		**(48 629)**	
Results from operating activities											**171 885**	231 534

Geographic information R000	South Africa 2019	South Africa 2018	Rest of Africa 2019	Rest of Africa 2018	Total 2019	Total 2018
Revenue	**731 334**	735 247	**77 917**	72 167	**809 251**	807 414
Non-current assets – property, plant and equipment	**1 457 604**	1 360 567	**1 215 444**	1 108 355	**2 673 048**	2 468 922

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.