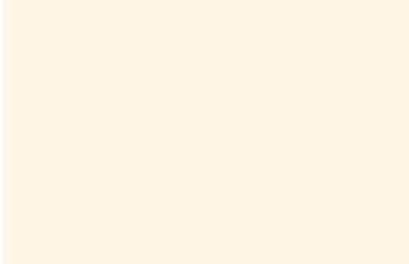




CITY LODGE HOTEL GROUP

REVIEWED GROUP PRELIMINARY RESULTS FOR
THE YEAR ENDED 30 JUNE 2016



Average occupancies

66%

Normalised diluted HEPS

+13%

Return on equity

25%



2 COMMENTARY

Average occupancies for the year at the group's operations decreased by one percentage point to 66%. South African occupancies were generally negatively impacted by low business confidence, poor consumer sentiment and negligible economic growth, which resulted in the South African occupancy also declining by one percentage point to 66%.

The six-month period to the end of June was furthermore affected by an additional public holiday in South Africa in March, which fell on a Saturday in the previous year. In addition, the pattern of the balance of the public holidays fell on days that particularly disrupted business travel. This was partially offset by an improvement in leisure tourism numbers at the group's coastal hotels, but this was not sufficient to offset the softer business travel segment, given that two-thirds of the group's hotels are inland and as such do not benefit as much from domestic or foreign leisure travel.

Botswana occupancies fell by a similar percentage, but occupancies at both Kenyan hotels continued the growth trend of the first six months.

Total revenue for the year grew by 14,6% to R1,5 billion, with a full year's contribution from City Lodge Hotel Waterfall City, the opening of the 90-room Road Lodge Pietermaritzburg in December, the opening of the 147-room City Lodge Hotel Newtown in February and the first full year consolidation of Courtyard. Average room rates achieved at the South African operations increased by slightly more than the rate of inflation.

In South Africa, operating costs increased by 9,8% on a per room sold basis, resulting in a 0,3% point increase in the South African normalised EBITDA margin to 41,5%. The total normalised EBITDA margin was in line with the previous year, resulting in an increase in normalised EBITDA of 14,2% to R624,9 million. Depreciation rose by 11,6%, interest income was R2,5 million lower and interest expense was R5,6 million higher due to higher average borrowings and interest rates.

Normalised headline profit before tax for the group increased by 12,4% to R511,8 million, while normalised headline earnings increased by 12,5% to R373,7 million. Normalised diluted headline earnings per share rose by 13,2% to 859,9 cents.

In line with the group's established policy of paying out 60% of normalised earnings, the final dividend increased by 7,8% to 248 cents, bringing the total dividend for the year to 517 cents, which is an increase of 12,4% on the previous year.

DEVELOPMENT ACTIVITY

East Africa

Construction of the 169-room City Lodge Hotel Two Rivers in Nairobi, Kenya, began in November and the hotel is on track to open by July 2017. Site handover to the contractor for the 147-room City Lodge Hotel Dar es Salaam took place in May and the hotel is scheduled to open towards the end of the fourth quarter of 2017.

The potential opportunity previously announced in Kampala, Uganda will not be pursued as a financially viable outcome could not be achieved. Investigations are underway into locating an alternative site that meets the group's investment criteria.

Southern Africa

In Namibia, handover of the site for our 151-room Town Lodge Windhoek took place in July. This hotel is expected to open in July 2017.

Final approvals are still being sought for the development of the 148-room City Lodge Hotel Maputo in Mozambique. It is hoped that construction will commence in the current quarter for completion in the first quarter of 2018.

The group continues to assess development opportunities in South Africa, Southern Africa and East Africa.

DIRECTORATE

It was a great pleasure to welcome Nairobi-based Vincent Rague to the board as an independent non-executive director with effect from 1 January 2016.

Wendy Tlou's resignation from the board was announced on 12 May. The board expressed its sincere thanks for her contributions over a number of years.

OUTLOOK

The 2017 financial year has thus far experienced softer occupancies than in the previous year, mainly due to the lead-up to and the additional public holiday for the 3 August local government election.

With the local government elections behind us and limited new hotel rooms opening in the South African market, our belief is that the upward occupancy trend that began in late 2011 will resume.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The condensed consolidated financial information has been presented on the historical cost basis, except for financial instruments and share-based payments carried at fair value, and are presented in Rand thousands which is City Lodge's functional and presentation currency.

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

REVIEW REPORT OF THE INDEPENDENT AUDITOR

These condensed consolidated financial statements for the year ended 30 June 2016 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

DECLARATION OF DIVIDEND

The board has approved and declared final dividend number 55 of 248 cents per ordinary share (gross) in respect of the year ended 30 June 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 248 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 210,8 cents per ordinary share for shareholders liable to pay the Dividends Tax;
- The company currently has 43 406 753 ordinary shares in issue; and
- The company's income tax reference number is 9041001711.

Shareholders are advised of the following dates in respect of the final dividend:

Last date to trade cum dividend	Tuesday, 6 September 2016
Shares commence trading ex dividend	Wednesday, 7 September 2016
Record date	Friday, 9 September 2016
Payment of dividend	Monday, 12 September 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 September 2016 and Friday, 9 September 2016, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka

Chairman

Clifford Ross

Chief executive

12 August 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R000's	Note	(Reviewed) Year ended 30 June 2016	%	(Audited) Year ended 30 June 2015
			change	
Revenue		1 493 163	15	1 303 112
Administration and marketing costs		(98 019)		(99 191)
BEE transaction charges	2	(858)		(301)
Operating costs excluding depreciation		(773 490)		(664 075)
		620 796	15	539 545
Depreciation		(96 399)		(86 380)
Results from operating activities		524 397	16	453 165
Interest income		2 268		4 751
Total interest expense		(74 523)		(63 251)
Interest expense		(21 002)		(15 398)
Notional interest on BEE shareholder loan	2	(4 905)		(4 270)
BEE interest expense	2	(4 248)		(4 041)
BEE preference dividend	2	(44 368)		(39 542)
Fair value gain on remeasurement of investment in joint venture		–		59 977
Share of profit from joint venture – Courtyard Hotels		–		1 618
Profit before taxation		452 142	(1)	456 260
Taxation		(136 854)		(137 998)
Profit for the period		315 288	(1)	318 262
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Defined benefit plan remeasurements		6 827		(3 347)
Income tax on other comprehensive income		(1 912)		937
Items that are or may be reclassified to profit or loss				
Foreign currency translation differences		34 093		213
Total comprehensive income for the period		354 296	12	316 065
Basic earnings per share (cents)				
– undiluted		868,3	(1)	878,5
– fully diluted		862,9	0	865,9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

R000's	(Reviewed) 30 June 2016	(Audited) 30 June 2015
ASSETS		
Non-current assets	1 895 445	1 777 574
Property, plant and equipment	1 844 140	1 740 251
Intangible assets and goodwill	45 558	32 578
Deferred taxation	5 747	4 745
Current assets	306 648	221 119
Inventories	7 734	7 122
Trade receivables	97 408	95 934
Other receivables	35 948	32 701
Taxation	4 389	–
Other investments	56 860	–
Cash and cash equivalents	104 309	85 362
Total assets	2 202 093	1 998 693
EQUITY AND LIABILITIES		
Capital and reserves	871 828	727 442
Share capital and premium	167 958	164 002
BEE investment and incentive scheme shares	(524 228)	(515 728)
Retained earnings	1 083 082	971 117
Other reserves	145 016	108 051
Non-current liabilities	1 196 572	1 148 410
Interest-bearing borrowings	270 000	250 000
BEE interest-bearing borrowings	44 120	44 120
BEE preference shares	397 500	412 100
BEE shareholder's loan	37 893	32 988
BEE preference share dividend accrual	200 171	168 191
Other non-current liabilities	102 203	113 376
Deferred taxation	144 685	127 635
Current liabilities	133 693	122 841
Trade and other payables	133 693	109 474
Taxation payable	–	1 351
Bank overdraft	–	12 016
Total liabilities	1 330 265	1 271 251
Total equity and liabilities	2 202 093	1 998 693

Note: The company has authorised capital commitments of R859 million of which approximately R389 million has been contracted. It is anticipated that approximately R553 million will be spent by 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000's	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
Balance at 1 July 2014	158 255	(526 822)	113 939	820 543	565 915
Total comprehensive income for the period	–	–	213	315 852	316 065
Profit for the period				318 262	318 262
<i>Other comprehensive income</i>					
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	5 747				5 747
Incentive scheme shares		11 094	(21 814)	(10 937)	(21 657)
Share compensation reserve			15 713		15 713
Dividends paid				(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
Total comprehensive income for the period	–	–	34 093	320 203	354 296
Profit for the period				315 288	315 288
<i>Other comprehensive income</i>					
Defined-benefit plan remeasurements, net of tax				4 915	4 915
Foreign currency translation differences			34 093		34 093
Transactions with owners, recorded directly in equity	3 956	(8 500)	2 872	(208 238)	(209 910)
Issue of new ordinary shares	3 956				3 956
Incentive scheme shares		(8 500)	(11 243)	(23 782)	(43 525)
Share compensation reserve			14 115		14 115
Dividends paid				(184 316)	(184 316)
Distribution by BEE structured entity				(140)	(140)
Balance at 30 June 2016	167 958	(524 228)	145 016	1 083 082	871 828

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R000's	(Reviewed) Year ended 30 June 2016	(Audited) Year ended 30 June 2015
Operating cash flows before working capital changes	635 780	564 297
Decrease/(increase) in working capital	18 841	(34 523)
Cash generated by operations	654 621	529 774
Interest received	2 268	4 751
Interest paid	(37 593)	(33 119)
Taxation paid	(129 657)	(115 520)
Dividends paid	(184 316)	(154 196)
Cash inflows from operating activities	305 323	231 690
Cash utilised in investing activities	(191 893)	(267 047)
– investment to maintain operations	(81 963)	(119 430)
– investment to expand operations	(110 345)	(90 008)
– investments in joint ventures	–	(58 527)
– proceeds on disposal of property, plant and equipment	415	918
Cash (outflows)/inflows from financing activities	(40 659)	40 145
– proceeds from issue of ordinary shares	3 956	5 747
– purchase of incentive scheme shares	(43 525)	(21 657)
– increase in interest-bearing borrowings	20 000	65 000
– redemption of BEE preference shares	(14 600)	(8 800)
– settlement of retirement benefit obligation	(6 350)	–
– distribution by BEE structured entity	(140)	(145)
Net increase in cash and cash equivalents	72 771	4 788
Cash and cash equivalents at beginning of period	73 346	67 916
Reclassification of cash and cash equivalents to other investments	(56 860)	–
Effect of movements in exchange rates on cash held	15 052	642
Cash and cash equivalents at end of period	104 309	73 346

Note: Cash and cash equivalents held with Chase Bank, Kenya, which was placed into receivership, have been reclassified as other investments pending the bank resuming full normal operations.

CONDENSED SEGMENT REPORT

Primary segment R000's	Courtyard		City Lodge		Town Lodge		Road Lodge		Central office and other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	76 703	30 491	750 948	673 846	227 583	213 594	288 272	259 356	149 657	125 825	1 493 163	1 303 112
EBITDAR	33 124	13 982	445 741	402 790	111 339	99 088	162 286	147 215	(46 930)	(48 749)	705 560	614 326
Land and hotel building rental									(84 764)	(74 781)	(84 764)	(74 781)
EBITDA											620 796	539 545
Depreciation	(4 239)	(1 148)	(21 779)	(23 165)	(6 662)	(7 494)	(11 732)	(11 930)	(51 987)	(42 643)	(96 399)	(86 380)
Results from operating activities											524 397	453 165
Share of profit from joint ventures									-	1 618	-	1 618

Geographic information R000's	South Africa		Rest of Africa		Total	
	2016	2015	2016	2015	2016	2015
Revenue	1 343 506	1 177 287	149 657	125 825	1 493 163	1 303 112
Share of profit from joint ventures	-	1 618	-	-	-	1 618
Non-current assets – Property, plant and equipment	1 371 592	1 301 952	472 548	438 299	1 844 140	1 740 251

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.

SUPPLEMENTARY INFORMATION

R000's	Note	(Reviewed) Year ended 30 June 2016	%	(Audited) Year ended 30 June 2015
		change		
1. Headline earnings reconciliation				
Profit for the period		315 288		318 262
Fair value gain on remeasurement of investment in joint venture		–		(59 977)
Write off of net investment in joint venture		–		4 111
Profit on sale of equipment		(229)		(762)
Taxation effect		67		213
Headline earnings		315 126	20	261 847
2. Normalised headline earnings reconciliation				
Number of shares in issue (000's)		43 407		43 347
Weighted average number of shares in issue for EPS calculation (000's)	3	36 309		36 229
Weighted average number of shares in issue for diluted EPS calculation (000's)	3	36 537		36 755
Headline earnings per share (cents)	4			
– undiluted		867,9	20	722,8
– fully diluted		862,5	21	712,4
Headline earnings		315 126		261 847
BEE transaction charges		858		301
– loss on fair value of interest rate swap		–		67
– sundry expenses		858		234
Notional interest charge on BEE shareholder loan		4 905		4 270
BEE interest on interest-bearing borrowings		4 248		4 041
Preference dividends paid by the BEE entities		44 368		39 542
Deferred tax on BEE transactions		(1 373)		(1 196)
Notional interest income on 10th anniversary employee share trust loan		2 330		4 478
10th anniversary employee share trust transaction charges and DWT		49		69
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		3 158		3 137
Once-off deferred tax raised due to introduction of Capital Gains Tax in Kenya		–		15 562
Normalised headline earnings		373 669	13	332 051

SUPPLEMENTARY INFORMATION continued

R000's	Note	(Reviewed) Year ended 30 June 2016	%	(Audited) Year ended 30 June 2015
			change	
3. Number of shares (000's)				
Weighted average number of shares in issue for EPS calculation		36 309		36 229
BEE shares treated as treasury shares		6 390		6 390
10th anniversary employee share trust treated as treasury shares		527		549
Weighted average number of shares in issue for normalised EPS calculation		43 226		43 168
Weighted average number of shares in issue for diluted EPS calculation		36 537		36 755
BEE shares treated as treasury shares		6 390		6 390
10th anniversary employee share trust treated as treasury shares		527		549
Weighted average number of shares in issue for diluted normalised EPS calculation		43 454		43 694
4. Normalised headline earnings per share (cents)				
– undiluted		864,5	12	769,2
– fully diluted		859,9	13	759,9
5. Dividends declared per share (cents)		517,0	12	460,0
– interim		269,0	17	230,0
– final		248,0	8	230,0
6. Dividend cover (times)				
– calculated on normalised headline earnings		1,7		1,7
7. Interest-bearing debt to total capital and reserves (%)				
– calculated on a normalised basis		16,8		17,4
8. Return on equity (%)				
– calculated on a normalised basis		24,5		24,8
9. Net asset value per share (cents)				
– calculated on a normalised basis		3 704		3 322

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)*,
GG Huisamer, FWJ Kilbourn, N Medupe, SG Morris,
VM Rague†, Dr KIM Shongwe, AC Widegger*

**Executive †Kenyan*

COMPANY SECRETARY

MC van Heerden

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The Standard Bank of South Africa Limited

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