

SUPPLEMENTARY INFORMATION

R000	Note	Six months ended 31 December 2018	% Change	Six months ended 31 December 2017	(Audited) Year ended 30 June 2018
1. Headline earnings reconciliation					
Profit for the period		138 583		157 290	279 438
Profit on sale of property, plant and equipment		–		(21 923)	(21 923)
Taxation effect		–		4 911	4 911
Headline earnings		138 583	(1)	140 278	262 426
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	36 575		36 546	36 543
Weighted average number of shares in issue for diluted EPS calculation (000's)	3	36 645		36 604	36 629
Headline earnings per share (cents)	4				
– undiluted		378,9	(1)	383,8	718,1
– fully diluted		378,2	(1)	383,2	716,4
2. Normalised headline earnings reconciliation*					
Headline earnings		138 583		140 278	262 426
BEE transaction charges		132		397	2 267
Notional interest charge on BEE shareholder loan		–		3 124	6 472
BEE interest on interest-bearing borrowings		2 247		2 253	4 425
Preference dividends paid/payable by the BEE entities		25 761		24 170	47 113
Deferred tax on BEE transactions		–		(875)	(1 812)
10th anniversary employee share trust transaction charges and DWT		(265)		(289)	(41)
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		2 091		2 087	4 141
Reversal of impairment of other investment in Chase Bank Kenya (net of tax)		(9 403)		–	–
Pre-opening expenses write-off (net of tax)		4 178		3 127	6 078
Normalised headline earnings		163 324	(6)	174 272	331 069
3. Number of shares (000's)					
Weighted average number of shares in issue for EPS calculation		36 575		36 546	36 543
BEE shares treated as treasury shares		6 390		6 390	6 390
10th anniversary employee share trust treated as treasury shares		507		509	509
Weighted average number of shares in issue for normalised EPS calculation		43 472		43 445	43 442
Weighted average number of shares in issue for diluted EPS calculation		36 645		36 604	36 629
BEE shares treated as treasury shares		6 390		6 390	6 390
10th anniversary employee share trust treated as treasury shares		507		509	509
Weighted average number of shares in issue for diluted normalised EPS calculation		43 542		43 503	43 528
4. Normalised headline earnings per share (cents)					
– undiluted		375,7	(6)	401,1	762,1
– fully diluted		375,1	(6)	400,6	760,6
5. Dividend declared per share (cents)					
		229,0	(9)	253,0	454,0
6. Dividend cover (times)					
– calculated on normalised headline earnings		1,6		1,6	1,7
7. Interest-bearing debt to total capital and reserves (%)					
– calculated on a normalised basis		27,1		19,8	24,1
8. Return on equity (%)					
– calculated on a normalised basis		17,2		19,7	18,5
9. Net asset value per share (cents)					
– calculated on a normalised basis		4 495		4 063	4 289

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

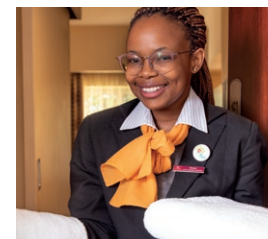
SUMMARISED STATEMENTS OF CASH FLOWS

R000	Six months ended 31 December 2018	Six months ended 31 December 2017	(Audited) Year ended 30 June 2018
Operating profit before working capital changes	271 065	294 078	563 572
(Increase)/decrease in working capital	(38 845)	56 277	57 315
Cash generated by operations	232 220	350 355	620 887
Interest received	959	2 107	4 031
Interest paid	(28 289)	(11 450)	(44 347)
Taxation paid	(46 605)	(71 476)	(128 415)
Dividends paid	(75 969)	(86 117)	(178 904)
Cash inflow from operating activities	82 316	183 419	273 252
Cash utilised in investing activities	(197 460)	(211 206)	(436 151)
– investment to maintain operations	(17 817)	(26 342)	(81 936)
– investment to expand operations	(179 043)	(197 171)	(343 669)
– expenditure refundable on operating lease	–	(12 693)	(35 554)
– purchase of investment	(600)	–	–
– proceeds on disposal of property, plant and equipment	–	25 000	25 008
Cash inflows from financing activities	73 670	17 534	100 288
– proceeds from issue of ordinary shares	–	126	126
– purchase of incentive scheme shares	(1 530)	(6 192)	(15 088)
– increase in interest-bearing borrowings	80 000	30 000	130 000
– redemption of BEE preference shares	(4 800)	(6 400)	(14 600)
– distribution by BEE structured entity	–	–	(150)
Net decrease in cash and cash equivalents	(41 474)	(10 253)	(62 611)
Cash and cash equivalents at beginning of the period	53 093	115 664	115 664
Reclassification of other investments to cash and cash equivalents	20 398	–	–
Effect of movements in exchange rates on other investments	(1 178)	1 068	(1 968)
Effect of movements in exchange rates on cash held	522	(1 832)	2 008
Cash and cash equivalents at end of the period	31 361	104 647	53 093

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 2017	179 377	(526 729)	114 411	1 167 252	934 311
Total comprehensive income for the period	–	–	12 262	138 127	150 389
Profit for the period				138 127	138 127
<i>Other comprehensive income</i>					
Foreign currency translation differences			12 262		12 262
Transactions with owners, recorded directly in equity	126	1 745	1 861	(87 554)	(83 822)
Issue of new ordinary shares	126				126
Incentive scheme shares		(4 255)	(500)	(1 437)	(6 192)
Share compensation reserve		6 000	2 361		8 361
Dividends paid				(86 117)	(86 117)
Balance at 31 December 2017	179 503	(524 984)	128 534	1 217 825	1 000 878
Total comprehensive income for the period	–	–	15 563	141 311	156 874
Profit for the period				141 311	141 311
<i>Other comprehensive income</i>					
Foreign currency translation differences			15 563		15 563
Transactions with owners, recorded directly in equity	–	–	(5 924)	(93 962)	(99 886)
Incentive scheme shares			(13 871)	(1 025)	(14 896)
Share compensation reserve			7 947		7 947
Dividends paid				(92 787)	(92 787)
Distribution by BEE structured entity				(150)	(150)
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
<i>Other comprehensive income</i>					
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


CITY LODGE HOTEL GROUP

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Unaudited interim report
for the six months ended
31 December 2018

Average group
occupancies

58%

Normalised diluted
headline EPS

-6%

Return on
equity

17%

STATEMENTS OF COMPREHENSIVE INCOME

R000	Note	Six months ended 31 December 2018	%	(Audited)	
				Six months ended 31 December 2017	Year ended 30 June 2018
Revenue		807 414	3	787 084	1 498 426
Other income		–		21 923	21 923
Administration and marketing costs		(56 478)		(52 562)	(99 841)
BEE transaction charges	2	(132)		(397)	(2 267)
Operating costs excluding depreciation		(461 319)		(445 931)	(845 483)
		289 485	(7)	310 117	572 758
Depreciation and amortisation		(57 951)		(51 879)	(105 217)
Results from operating activities		231 534	(10)	258 238	467 541
Interest income		959		2 107	4 031
Total interest expense		(29 197)		(33 146)	(63 867)
Interest expense		(1 189)		(3 599)	(5 857)
Notional interest on BEE shareholder loan	2	–		(3 124)	(6 472)
BEE interest expense	2	(2 247)		(2 253)	(4 425)
BEE preference dividend	2	(25 761)		(24 170)	(47 113)
Profit before taxation		203 296	(11)	227 199	407 705
Taxation		(64 713)		(69 909)	(128 267)
Profit for the period		138 583	(12)	157 290	279 438
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		12 262		(16 462)	27 825
Total comprehensive income for the period		150 845	7	140 828	307 263
Basic earnings per share (cents)					
– undiluted		378,9	(12)	430,4	764,7
– fully diluted		378,2	(12)	429,7	762,9

STATEMENTS OF FINANCIAL POSITION

R000	As at 31 December 2018	As at 31 December 2017	(Audited)	
			Year ended 30 June 2018	
ASSETS				
Non-current assets	2 551 753	2 138 624	2 352 684	
Property, plant and equipment	2 468 922	2 070 708	2 285 396	
Intangible assets and goodwill	52 560	51 418	54 678	
Investments	800	200	200	
Other investments	13 599	–	–	
Deferred taxation	15 872	16 298	12 410	
Current assets	324 873	376 825	333 046	
Inventories	7 621	11 969	7 298	
Trade receivables	101 873	87 212	79 167	
Other receivables	161 132	108 622	159 021	
Taxation	3 450	–	8 282	
Other investments	6 799	23 149	26 185	
Cash and cash equivalents	43 998	145 873	53 093	
Total assets	2 876 626	2 515 449	2 685 730	
EQUITY				
Capital and reserves	1 136 806	991 317	1 057 866	
Share capital and premium	179 503	179 503	179 503	
BEE investment and incentive scheme shares	(518 014)	(524 984)	(524 984)	
Retained earnings	1 327 788	1 236 988	1 265 174	
Other reserves	147 529	99 810	138 173	
LIABILITIES				
Non-current liabilities	1 557 211	1 317 550	1 446 619	
Interest-bearing borrowings	530 000	350 000	450 000	
BEE interest-bearing borrowings	44 120	44 120	44 120	
BEE preference shares	362 800	375 800	367 600	
BEE shareholder's loan	50 000	46 652	50 000	
BEE B preference share dividend accrual	294 679	255 280	273 477	
Other non-current liabilities	83 362	87 330	86 275	
Deferred taxation	192 250	158 368	175 147	
Current liabilities	182 609	206 582	181 245	
Trade and other payables	169 972	160 663	181 245	
Taxation payable	–	4 693	–	
Bank overdraft	12 637	41 226	–	
Total liabilities	1 739 820	1 524 132	1 627 864	
Total equity and liabilities	2 876 626	2 515 449	2 685 730	

Note: The company has authorised capital commitments of R415 million of which approximately R252 million has been contracted. It is anticipated that approximately R257 million of the authorised commitments will be spent by 30 June 2019.

COMMENTARY

Average occupancies for the group in the six months to 31 December 2018 declined to 58% from 63% in the previous interim period.

In South Africa, where the group has most of its hotels, occupancies were down three percentage points to 61%, largely as a result of depressed business and consumer confidence levels ahead of the upcoming national elections. While occupancies in Botswana were three percentage points lower than in the previous year, Kenyan occupancies at the Fairview Hotel and Town Lodge, Upper Hill, Nairobi, reflected a welcome improvement, rising by four percentage points. Similarly, occupancies in Namibia continued to improve. The overall operating environment for the period was challenging across all the group's locations and brands.

Total revenue increased by 3% to R807,4 million, benefiting from the improvement in Kenya and a full period contribution from Town Lodge Windhoek. City Lodge Hotel at Two Rivers Mall Nairobi was partially open during the period and there was also a small contribution from City Lodge Hotel Dar es Salaam towards the end of the period. In South Africa, achieved room rates increased by less than inflation due to tough economic conditions and a highly competitive operating environment.

On a normalised basis, total operating costs increased by 6%, while the total normalised EBITDA margin was down by two percentage points to 35%, resulting in normalised headline EBITDA for the group decreasing by 4% to R284,3 million. Depreciation and amortisation increased by 12%, while interest income and interest expense decreased by R1,1 million and R2,4 million respectively as a result of borrowing costs being capitalised during the ongoing construction activities.

Normalised headline profit before tax for the group decreased by 6% to R226,1 million, while normalised headline earnings decreased by 6% to R163,3 million. Fully diluted normalised headline earnings per share decreased by 6% to 375,1 cents.

In line with the group's policy of paying out 60% of normalised headline earnings adjusted for unrealised foreign exchange gains or losses, a gross interim dividend of 229,0 cents per share has been declared, 9% lower than the previous year.

The group's application for an investment deduction allowance on the development of City Lodge Hotel at Two Rivers Mall in Nairobi awaits adjudication by the Kenya Revenue Authority.

On 18 August 2018, and in line with the Kenyan Central Bank's announcement, 38% of the cash deposits previously held with Chase Bank Kenya (in receivership) were released to the company. As a result of the partial receipt of these deposits, half of the impairment charge previously recognised in other investments amounting to R9,4 million (net of tax) was reversed. The cash received was reclassified to cash and cash equivalents. The remaining 38% of deposits remain as other investments, and will be released in three equal instalments between August 2019 and August 2021.

Development activity

South Africa

The 62-room extension at City Lodge Hotel at OR Tambo Airport was completed, with these additional rooms opening on a phased basis during the period.

Construction of the 154-room Town Lodge Umhlanga Ridge is on schedule, with the opening on track for July 2019. No further progress has however been made in gaining approvals for the development of a 90-room Road Lodge in Polokwane.

Demonstrating the group's ongoing confidence in and commitment to South Africa, a lease and development agreement has been signed for a "new concept" Courtyard Hotel to be built in Waterfall City. It is anticipated that work on this 168-room hotel will start in March with completion expected in October 2020.

East Africa

Following lengthy delays, all 171 rooms at City Lodge Hotel at Two Rivers Mall, Nairobi, became available during December. The first 95 rooms became available at City Lodge Dar es Salaam in November, with the balance of the 148 rooms becoming available earlier this month.

Southern Africa

Further delays have been experienced in Mozambique where the opening of the 148-room City Lodge Hotel Maputo is now expected to take place during the course of April.

Following the opening of all the above hotels, the group will have 64 hotels in six countries in East and Southern Africa, offering a total of 8 160 rooms.

Outlook

After an encouraging improvement in occupancies in Kenya, the January terror attack on a hotel and office complex in Nairobi was a setback. It is however anticipated that given the swift and effective response by the Kenyan authorities, the situation will normalise fairly quickly. This is already evident in positive forward bookings.

With trading remaining subdued at City Lodge Hotel at Two Rivers Mall, Nairobi, increased sales and marketing efforts will be focused on to the region, including City Lodge Hotel Dar es Salaam, as well as the soon to be opened City Lodge Hotel Maputo.

SEGMENT REPORT

Primary segment R000	Courtyard		City Lodge		Town Lodge		Road Lodge		Central office and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	34 023	36 663	419 597	414 690	118 199	117 503	163 428	162 422	72 167	55 806	807 414	787 084
EBITDAR	10 418	14 734	227 843	241 873	50 819	55 343	83 987	90 331	(26 473) (57 109)	(46 596) (45 568)	346 594 (57 109)	355 685 (45 568)
Land and hotel building rental											289 485	310 117
EBITDA											(57 951)	(51 879)
Depreciation and amortisation	(2 044)	(2 073)	(12 529)	(11 172)	(3 660)	(3 662)	(5 219)	(5 601)	(34 499)	(29 371)		
Results from operating activities											231 534	258 238

Geographic information

R000	South Africa		Rest of Africa		Total	
	2018	2017	2018	2017	2018	2017
Revenue	735 247	731 278	72 167	55 806	807 414	787 084
Non-current assets – property, plant and equipment	1 360 567	1 276 386	1 108 355	794 322	2 468 922	2 070 708

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.

In South Africa, trading conditions are expected to remain under pressure until the election has been held on 8 May 2019. In the first six weeks of the second half of the financial year, some improvement has been noted, however these trends were not consistently observed. The group is encouraged by the overall economic trajectory outlined and envisaged by President Cyril Ramaphosa, which could play an important role in improving sentiment and activity.

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, with the exception of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*.

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 AW Dooley CA(SA), in his capacity as Chief financial officer.

Pro forma financial information

The supplementary information presented, 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.

Declaration of dividend

The board has approved and declared interim dividend number 60 of 229,0 cents per ordinary share (gross) in respect of the six months ended 31 December 2018.

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 229,0 cents per ordinary share for shareholders exempt from the dividend tax;
- The net local dividend amount is 183,2 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, 5 March 2019
Shares commence trading ex dividend	Wednesday, 6 March 2019
Record date	Friday, 8 March 2019
Payment of dividend	Monday, 11 March 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 March 2019 and Friday, 8 March 2019, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka
Chairman **Andrew Widgeger**
Chief executive officer

13 February 2019

Registered office: The Lodge, Bryanston Gate Office Park, cnr. 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), A Widgeger (Chief executive officer)*, AW Dooley*, GG Huysamer, FWJ Kilbourn, MSP Marutlulle, N Medupe, SG Morris, VM Rague*, LG Siddo*, Dr KIM Shongwe*
* *Kenyan Executive*

Company secretary: MC van Heerden

Sponsor: Nedbank Corporate and Investment Banking