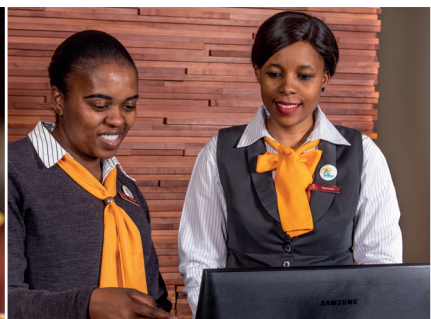




CITY LODGE HOTEL GROUP

Group preliminary results
for the year ended 30 June 2019



Commentary

Average occupancies for the group in the 12 months to 30 June, 2019 declined from 59% in the previous financial year to 55%.

In South Africa, occupancies decreased from 61% to 58%, in line with the three percentage points decline in the six months to 31 December 2018. Low levels of business and consumer confidence, high unemployment, uncertainty around Eskom's sustainability and land expropriation, as well as negative growth in the first quarter of 2019, resulted in difficult trading conditions.

Down by three percentage points at the half year, Botswana occupancies improved slightly in the second half, with the improvement continuing into the current year. Town Lodge Windhoek performed below expectations on weak economic growth in Namibia, but the hotel is improving on a month-by-month basis. After a welcome improvement in the first half with occupancies up by four percentage points, Kenyan operations experienced a weaker second half due to increased hotel supply and economic growth not translating into commercial activity. Occupancies were two percentage points lower for the full year. City Lodge Hotel at Two Rivers Mall continues to improve, but at a slower pace than expected.

In Tanzania, City Lodge Hotel Dar es Salaam had a disappointing first few months of trading due to increased hotel supply, a challenging business environment and a shift in some commercial activity as a result of government administration offices relocating to the capital of Dodoma.

Total revenue increased by 3% to R1,5 billion. In South Africa, achieved room rates rose by less than inflation due to increased competitor discounting.

On a normalised basis, total operating costs increased by 11,4%, but by 7,2% in South Africa where the majority of the group's operations are

located. The total normalised headline EBITDA margin decreased by six percentage points to 32%, resulting in normalised headline EBITDA for the group decreasing to R489,5 million. Depreciation and amortisation increased by 12%, while interest income was R1,8 million lower and interest expense was R1,2 million lower as a result of borrowing costs being capitalised during construction activities.

Normalised headline profit before tax for the group decreased by 19,5% to R369,6 million, while normalised headline earnings decreased by 19,3% to R267,1 million. Diluted normalised headline earnings per share decreased by 19,4% to 613,4 cents.

In line with the group's established policy of paying out 60% of normalised earnings adjusted for unrealised foreign exchange gains and losses, a gross final dividend of 137,0 cents per share has been declared, bringing the total dividend for the year to 366,0 cents, which is a decrease of 19,4% on the previous year.

The group's application for an investment deduction allowance on the development of the City Lodge Hotel at Two Rivers Mall in Nairobi awaits finalisation 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 repaid 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 repaid in three equal instalments between August 2019 and August 2021, with a portion being classified as current.

Commentary continued

Development activity

South Africa

The first 76 rooms have opened at the 154-room Town Lodge Umhlanga, with the balance expected to be opened in early September.

Construction of the 168-room Courtyard Hotel Waterfall City is progressing well with the first rooms on track for opening in November 2020 and the balance becoming available at the beginning of 2021.

Southern Africa

The completion of the 148-room City Lodge Hotel Maputo has been delayed due to contractor-related delays and disputes. Final timelines are uncertain at this stage.

With the opening of this hotel in due course, the group will have completed its initial targeted expansion into Southern Africa and East Africa. It will then comprise 63 hotels with 8 070 rooms in six countries (South Africa, Botswana, Namibia, Mozambique, Kenya and Tanzania). The focus now is on ensuring the success of the recently opened hotels through effective sales and marketing campaigns and building brand preference in the markets where we operate.

Outlook

Given the current economic situation in South Africa, the weaker trend of the past year has extended into the new financial year. New catalysts are needed to boost investment confidence and spur economic growth.

Against this backdrop, there are some encouraging signs, such as the notable efforts by the National Department of Tourism to develop and grow this industry that is so important to the future of South Africa.

Our portfolio of hotels in South Africa, Southern Africa and East Africa is in excellent shape after ongoing refurbishments and the addition of exciting new properties. Our entire operational team is highly motivated to deliver on our brand promise and grow market share in a depressed environment,

ideally positioning the group to benefit from better trading conditions as they arise.

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, except for the adoption of IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers* which have not had a significant impact on the group.

The condensed consolidated 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 consolidated financial statements were prepared under the supervision of Mr A W Dooley CA(SA), in his capacity as chief financial officer.

Impact of IFRS 16 Leases

The group anticipates a material change as a result of the adoption of IFRS 16 *Leases* in 2019 using the modified retrospective approach. The material change relates to the capitalising of leased hotels onto the statement of financial position in the form of a right of use asset, together with the corresponding lease liability. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and

calculated lease finance costs on the interest line. Other areas of the statutory metrics that will be impacted by the adoption of the standard include EBITDA, earnings per share and normalised headline earnings. The majority of the leases are long leases with additional renewal periods available. Additional disclosure will be provided in the publication of our 2019 annual financial statements.

Review report of the independent auditor

These condensed consolidated financial statements for the year ended 30 June 2019 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.

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. The reporting accountant's report on the supplementary information is available for inspection at the issuer's registered office.

Declaration of dividend

The board has approved and declared final dividend number 61 of 137 cents per ordinary share (gross) in respect of the year ended 30 June 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 137 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 109,6 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 in respect of the final dividend:

Last date to trade cum dividend	Tuesday, 3 September 2019
Shares commence trading ex dividend	Wednesday, 4 September 2019
Record date	Friday, 6 September 2019
Payment of dividend	Monday, 9 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 September 2019 and Friday, 6 September 2019, both days inclusive.

The JSE link to the announcement is <https://senspdf.jse.co.za/documents/2019/jse/isse/CLH/ye2019.pdf>.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

14 August 2019

Condensed consolidated statement of comprehensive income

		(Reviewed) Year ended 30 June		(Audited) Year ended 30 June
R000's	Note	2019	% change	2018
Revenue		1 547 984	3	1 498 426
Other income		4 475		21 923
Administration and marketing costs		(106 432)		(99 841)
BEE transaction charges	2	(352)		(2 267)
Impairment loss on trade and other receivables		(2 198)		–
Operating costs excluding depreciation		(961 422)		(845 483)
		482 055	(16)	572 758
Depreciation and amortisation		(117 471)		(105 217)
Results from operating activities		364 584	(22)	467 541
Interest income		2 233		4 031
Total interest expense		(59 842)		(63 867)
Interest expense		(4 650)		(5 857)
Notional interest on BEE shareholder loan	2	–		(6 472)
BEE interest expense	2	(4 187)		(4 425)
BEE preference dividend	2	(51 005)		(47 113)
Profit before taxation		306 975	(25)	407 705
Taxation		(101 519)		(128 267)
Profit for the period		205 456	(26)	279 438
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Foreign currency translation differences		(2 397)		27 825
Total comprehensive income for the period		203 059	(34)	307 263
Basic earnings per share (cents)				
– undiluted		562,0	(27)	764,7
– diluted		560,7	(27)	762,9

Condensed consolidated statement of financial position

	(Reviewed) 30 June	(Audited) 30 June
R000's	2019	2018
ASSETS		
Non current assets	2 722 355	2 352 684
Property, plant and equipment	2 630 411	2 285 396
Intangible assets and goodwill	55 358	54 678
Investments	800	200
Other investments	13 073	-
Deferred taxation	22 713	12 410
Current assets	303 373	333 046
Inventories	7 978	7 298
Trade receivables	77 369	79 167
Other receivables	128 468	159 021
Taxation	11 935	8 282
Other investments	6 577	26 185
Cash and cash equivalents	71 046	53 093
Total assets	3 025 728	2 685 730
EQUITY AND LIABILITIES		
Capital and reserves	1 106 701	1 057 866
Share capital and premium	179 503	179 503
BEE investment and incentive scheme shares	(518 014)	(524 984)
Retained earnings	1 307 529	1 265 174
Other reserves	137 683	138 173
Non-current liabilities	1 701 435	1 446 619
Interest-bearing borrowings	660 000	450 000
BEE interest-bearing borrowings	44 120	44 120
BEE preference shares	355 000	367 600
BEE shareholder's loan	50 000	50 000
BEE preference share dividend accrual	315 604	273 477
Other non-current liabilities	78 899	86 275
Deferred taxation	197 812	175 147
Current liabilities		
Trade and other payables	217 592	181 245
Total liabilities	1 919 027	1 627 864
Total equity and liabilities	3 025 728	2 685 730

Note: The company has authorised capital commitments of R392 million of which approximately R175 million has been contracted. It is anticipated that approximately R333 million will be spent by 30 June 2020.

Condensed consolidated statement of changes in equity

	Share capital and premium	BEE investment and incentive scheme shares	Other reserves	Retained earnings	Total
R000's					
Balance at 1 July 2017	179 377	(526 729)	114 411	1 167 252	934 311
Total comprehensive income for the period	–	–	27 825	279 438	307 263
Profit for the period				279 438	279 438
<i>Other comprehensive income</i>					
Foreign currency translation differences			27 825		27 825
Transactions with owners, recorded directly in equity	126	1 745	(4 063)	(181 516)	(183 708)
Issue of new ordinary shares	126				126
Incentive scheme shares		1 745	(14 371)	(2 462)	(15 088)
Share compensation reserve			10 308		10 308
Dividends paid				(178 904)	(178 904)
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	–	–	(2 397)	205 456	203 059
Profit for the period				205 456	205 456
<i>Other comprehensive income</i>					
Foreign currency translation differences			(2 397)		(2 397)
Transactions with owners, recorded directly in equity	–	6 970	1 907	(163 101)	(154 224)
Incentive scheme shares		6 970	(6 350)	(3 001)	(2 381)
Share compensation reserve			8 257		8 257
Dividends paid				(160 100)	(160 100)
Balance at 30 June 2019	179 503	(518 014)	137 683	1 307 529	1 106 701

Condensed consolidated statement of cash flows

	(Reviewed) 30 June	(Audited) 30 June
R000's	2019	2018
Operating cash flows before working capital changes	461 479	563 572
Decrease in working capital	31 288	57 315
Cash generated by operations	492 767	620 887
Interest received	2 233	4 031
Interest paid	(64 774)	(44 347)
Taxation paid	(95 101)	(128 415)
Dividends paid	(160 100)	(178 904)
Cash inflows from operating activities	175 025	273 252
Cash utilised in investing activities	(371 965)	(436 151)
– investment to maintain operations	(71 785)	(81 936)
– investment to expand operations	(335 346)	(343 669)
– expenditure refundable on operating leases	35 554	(35 554)
– purchase of investment	(600)	–
– proceeds on disposal of property, plant and equipment	212	25 008
Cash inflows from financing activities	195 019	100 288
– proceeds from issue of ordinary shares	–	126
– purchase of incentive scheme shares	(2 381)	(15 088)
– increase in interest-bearing borrowings	210 000	130 000
– redemption of BEE preference shares	(12 600)	(14 600)
– distribution by BEE structured entity	–	(150)
Net decrease in cash and cash equivalents	(1 921)	(62 611)
Cash and cash equivalents at beginning of period	53 093	115 664
Reclassification of other investments to cash and cash equivalents	20 398	–
Effect of movements in exchange rates on other investments	(430)	(1 968)
Effect of movements in exchange rates on cash held	(94)	2 008
Cash and cash equivalents at end of period	71 046	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 repaid back to depositors.

Condensed segment report

Primary segment	Courtyard		City Lodge		Town Lodge	
R000's	2019	2018	2019	2018	2019	2018
Revenue	66 139	67 410	805 992	783 558	219 638	217 507
EBITDAR	17 345	24 759	425 024	445 407	88 672	97 564
Land and hotel building rental						
EBITDA						
Depreciation	(4 072)	(4 004)	(24 999)	(21 728)	(7 538)	(7 320)

Results from operating activities

Geographic information	South Africa		Rest of Africa		Total	
R000's	2019	2018	2019	2018	2019	2018
Revenue	1 404 154	1 380 848	143 830	117 578	1 547 984	1 498 426
Non-current assets – Property, plant and equipment	1 436 111	1 329 443	1 194 300	955 953	2 630 411	2 285 396

EBITDAR represents earnings after BEE transaction charges but before interest, taxation, depreciation, amortisation and rental.
EBITDA represents earnings after BEE transaction charges but before interest, taxation, depreciation and amortisation.

Road Lodge		Central office and rest of Africa		Total	
2019	2018	2019	2018	2019	2018
312 385	312 373	143 830	117 578	1 547 984	1 498 426
156 310	169 612	(89 161)	(58 770)	598 190	678 572
		(116 135)	(105 814)	(116 135)	(105 814)
				482 055	572 758
(10 438)	(11 345)	(70 424)	(60 820)	(117 471)	(105 217)
				364 584	467 541

Supplementary information

		(Reviewed) Year ended 30 June		(Audited) Year ended 30 June
R000's	Note	2019	% change	2018
1. Headline earnings reconciliation				
Profit for the period		205 456		279 438
Profit on sale of property, plant and equipment		(170)		(21 923)
Taxation effect		48		4 911
Headline earnings		205 334	(22)	262 426
Number of shares in issue (000's)		43 574		43 574
Weighted average number of shares in issue for EPS calculation (000's)	3	36 556		36 543
Weighted average number of shares in issue for diluted EPS calculation (000's)	3	36 642		36 629
Headline earnings per share (cents)	4			
– undiluted		561,7	(22)	718,1
– diluted		560,4	(22)	716,4
2. Normalised headline earnings reconciliation*				
Headline earnings		205 334		262 426
BEE transaction charges		352		2 267
Notional interest charge on BEE shareholder loan		–		6 472
BEE interest on interest-bearing borrowings		4 187		4 425
Preference dividends paid by the BEE entities		51 005		47 113
Deferred tax on BEE transactions		–		(1 812)
10th anniversary employee share trust transaction charges and Dividend Tax		(43)		(41)
IFRS 2 share-based payment charge for the 10th anniversary employee share trust		4 148		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)		11 487		6 078
Normalised headline earnings		267 067	(19)	331 069

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

Supplementary information continued

	(Reviewed) Year ended 30 June		(Audited) Year ended 30 June
R000's	2019	% change	2018
3. Number of shares (000's)			
Weighted average number of shares in issue for EPS calculation	36 556		36 543
BEE shares treated as treasury shares	6 390		6 390
10th anniversary employees share trust treated as treasury shares	506		509
Weighted average number of shares in issue for normalised EPS calculation	43 452		43 442
Weighted average number of shares in issue for diluted EPS calculation	36 642		36 629
BEE shares treated as treasury shares	6 390		6 390
10th anniversary employees share trust treated as treasury shares	506		509
Weighted average number of shares in issue for diluted normalised EPS calculation	43 538		43 528
4. Normalised headline earnings per share (cents)			
– undiluted	614,6	(19)	762,1
– diluted	613,4	(19)	760,6
5. Dividends declared per share (cents)	366,0	(19)	454,0
– interim	229,0	(9)	253,0
– final	137,0	(32)	201,0
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	33,9		24,1
8. Return on equity (%)			
– calculated on a normalised basis	14,0		18,5
9. Net asset value per share (cents)			
– calculated on a normalised basis	4 471		4 289

Administration

Registered office

The Lodge
Bryanston Gate Office Park
Corner Homestead Avenue and Main Road
Bryanston, 2191

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*, Dr K I M Shongwe

**Executive †Kenyan*

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Company secretary

M C van Heerden

Sponsor

Nedbank Corporate and Investment Banking

City Lodge Hotels Limited

Incorporated in the Republic of South Africa

Registration number: 1986/002864/06

Share code: CLH

ISIN: ZAE 000117792

Registered office

The Lodge, Bryanston Gate Office Park
corner Homestead Avenue and Main Road
Bryanston, 2191

Telephone: +27 11 557 2600

Facsimile: +27 11 557 2670

Email: info@clhg.com

www.clhg.com
www.bid2stay.co.za