2025

Interim Reporting

CITY LODGE HOTELS

Condensed unaudited consolidated interim financial statements and cash dividend declaration

for the six months ended 31 December 2024

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Highlights

Interim Results

Revenue
R1.02bn
up 2%
HY2024: R1.00bn

Average Room Rate
up 10%
HY2024: up 9%

Return on equity
10.0%
up 0.6% points
HY2024: 9.4%

Profit for the period
R120m
up 12%
HY2024: R107m

Group occupancy
57%
down 4% points
HY2024: 61%

Earnings per share (undiluted)
21.6c
up 15%
HY2024: 18.8c

Headline earnings per share (undiluted)
21.6c
up 15%
HY2024: 18.8c

Adjusted headline earnings per share (diluted)
19.6c
down 2%
HY2024: 19.9c

Adjusted EBITDAR
R319m
no change
HY2024: R319m

Dividends declared per share
Interim: 6c
no change
HY2024: 6c

CITY LODGE HOTELS

Commentary

City Lodge Hotels continues to deliver on its strategic initiatives to improve yield management, focus on cost containment and creating value by investing and modernising key properties in its 58 hotel portfolio. The group delivered a 10% room rate growth, and had nine refurbishment projects, at various stages of progress, underway during the six months under review.

The group has **invested R408 million over the last 30 months** in **revitalising our hotel portfolio,** and plans to invest an **additional R200 million** over the next six months.

City Lodge Hotels has delivered a stable trading performance for the first half of the year, against strong headwinds in demand, as consumer and business spending remained subdued. While economic sentiment has improved following the outcome of the South African national government elections and the formation of the Government of National Unity (GNU), consumers and businesses have remained cautious until meaningful changes have been realised.

Regionally, Gauteng, Western Cape and Free State have seen the most improved revenue growth as more employees return to work in their offices and business related travel normalises. The increased volume of international travellers has benefited our Western Cape hotels. In contrast, leisure and business demand in KwaZulu-Natal has remained subdued due to water and sanitation challenges together with safety and security concerns lingering from the riots, and fresh disruptions in the lead up to the national elections.

National elections held in the other SADC countries in the second quarter have contributed in varying degrees to disruption in operations and occupancy. Unrest in Mozambique remains disruptive to both our operations and the group's schedule to complete the remaining three floors of the hotel. However, the hotel remains operational and has served as a safe haven for guests.

FINANCIAL REVIEW

These challenges have dampened occupancies in the first half of the financial year, which is down four percentage points, over the last six months. The decreased occupancies have been somewhat mitigated by the delivery on the group strategy for more effective yield management delivering a 10% increase in average room rates. This has resulted in an overall 2% increase in total revenue for the six months ended 31 December 2024 to R1.02 billion (six months ended 31 December 2023 (HY2024): R1.00 billion).

Our enhanced food and beverage (F&B) offering is now well established across all brands, and is still showing promising prospects for further growth, notwithstanding that it has been negatively affected by the lower occupancies and refurbishments in progress during the period. F&B revenue increased by 6% to R200.2 million (HY2024: R188.5 million), and it now accounts for 20% (HY2024: 19%) of total revenue.

With constrained occupancies, together with the 35,500 (HY2024: 17,000) room nights taken out of inventory during the refurbishments, the group focused on cost containment resulting in a marginal 3% increase in total operating costs.

The 6% increase to salaries and wages to R288.8 million (HY2024: R271.8 million) was largely aligned to the annual inflationary increase offered to staff of 6.25% in August 2024. The group has mitigated the average 13% utility price increases over the last year, through the increased use of solar generated power from the additional 16 solar installations, and the reduced consumption of generator fuel, resulting in property costs increasing by only 2% to R95.9 million (HY2024: R93.9 million).

Rooms related costs of R104.5 million (HY2024: R110.5 million) are mainly variable in nature, and decreased by 5% during the period. F&B costs of R77.6 million (HY2024: R77.8 million) have remained unchanged for the period, delivering further efficiencies against the F&B revenue growth of 6%. F&B gross profit margins have improved to 61% from 59% in the prior period.

The group generated EBITDAR of R330.1 million (HY2024: R312.3 million) for the period, and an EBITDAR margin of 32.3% (HY2024: 31.2%). Adjusted EBITDAR margin, which excludes unrealised foreign currency gains/(losses), retracted slightly to 31.2% (HY2024: 31.8%).

Depreciation for the year of R89.5 million (HY2024: R83.1 million) includes depreciation of capitalised leases. The 8% increase relates to higher refurbishment capital expenditure incurred by the group compared to the prior period.

Lease related expenses (i.e. depreciation on right-of-use assets of R45.8 million and interest expense on leases of R62.9 million) exceeds cash lease payments of R86.3 million by R22.4 million.

Taxation amounting to R47.2 million (HY2024: R45.6 million) increased by 3%, with an effective tax rate of 28% (HY2024: 29%)

Profit after tax increased by 12% to R120.4 million (HY2024: R107.3 million), and diluted earnings per share increased by 16% to 21.6 cents (HY2024: 18.7 cents).

Diluted headline earnings per share increased by 16% to 21.6 cents (HY2024: 18.7 cents per share), and adjusted headline earnings per share, which excludes unrealised foreign currency gains/(losses) and exceptional items, has decreased by 2% to 19.6 cents (HY2024: 19.9 cents).

STRATEGIC UPDATE

The board has approved an interim ordinary dividend of 6.00 cents per ordinary share (4.80 cents net after deducting withholding tax) in respect of the six months ended 31 December 2024 (HY2024: 6.00 cents and 4.80 cents net after deducting withholding tax).

The group has actively managed its debt position and cash generated by operations of R250.5 million (HY2024: R265.9 million) to fund its extensive refurbishment investment in key hotels and resilience initiatives around water and electricity. These investments ensure that the group is well-positioned to respond to guest demands, is more sustainable, and continues to deliver value from its well equipped and maintained portfolio of hotels. During the period, the group utilised R60.0 million of its R600.0 million loan facilities, to fund the capital expenditure incurred during the period, as well as the accrued expenditure as at 30 June 2024.

The group completed five refurbishment projects during the period under review which included City Lodge Hotel Lynnwood, Town Lodge Bellville, Road Lodge Durban, Road Lodge N1 City and Courtyard Hotel Sandton - commercial area. Four additional projects are in progress, and will be completed in the current financial year. These include Town Lodge George, City Lodge Hotel Umhlanga Ridge, City Lodge Hotel V&A Waterfront - commercial area, and the expansion at City Lodge Hotel Maputo.

The doors to City Lodge Hotel Katherine Street permanently closed in December 2024 after 35 years of operations. Loyal guests have been redirected to our other three hotels in the Sandton area, covering a range of budget options. The hotel is in the process of being sold for gross proceeds of R68 million, and the sale is expected to complete in the financial year. The group intends to use a portion of the sales proceeds towards share buy-backs.

OUTLOOK

The economic outlook is positive over the next 12 months owing to the stabilisation of electricity supply, three consecutive interest rate cuts, revised positive GDP growth projections and softening inflation, complimented by the introduction of the two-pot retirement system and the continued progress by the GNU. The upcoming G20 summit later this year and associated events and activities, are all expected to have a positive impact on consumer and business confidence, spending and elevated investor interest in South Africa.

The group has benefited from these green shoots with occupancy growth in January 2025, which is typically our quietest month, up two percentage points to 44% (January 2024: 42%), with SA occupancy growth up three percentage points . The positive momentum has carried into February 2025, with month to date occupancy up by 3.8 percentage points to 60.3% (February 2024: 56.5%) compared to the same time last year.

The strategy to deliver value from the group's extensive hotel portfolio and its modernisation programme is progressing at pace, and on conclusion of this current phase, we would have completed refurbishments to 21% of our portfolio.

The group continues to seek and pursue selected opportunities for new hotels in high growth areas within South Africa.

We are actively partnering with provincial and municipal governments, and travel and tourism industry bodies to activate positive public relations and identify and pursue solutions for the upliftment and safety within our tourism hubs in KwaZulu-Natal and Gqeberha.

DECLARATION OF DIVIDEND

The board has approved and declared an interim dividend (number 67) of 6.00 cents per ordinary share (gross) (HY2024: 6.00 cents) in respect of the six months ended 31 December 2024.

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 Limited ("JSE") Listings Requirements the following additional information is disclosed:

- the dividend has been declared out of distributable reserves;
- the local Dividend Tax rate is 20% (twenty per centum);
- the gross local dividend amount is 6.00 cents per ordinary share for shareholders exempt from the Dividend Tax;
- the net local dividend amount is 4.80 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- the company currently has 598 146 832 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, 11 March 2025
- Shares commence trading ex dividend Wednesday, 12 March 2025
- Record date Friday, 14 March 2025
- Payment of dividend Monday, 17 March 2025

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 March 2025 and Friday, 14 March 2025, both days inclusive.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

19 February 2025

City Lodge Hotels Limited
("City Lodge Hotels" or the "group" or the "company")
Incorporated in the Republic of South Africa
Registration number: 1986/002864/06 Share code: CLH ISIN: ZAE000117792

Condensed consolidated statement of financial position

R000	Notes	31 December 2024	31 December 2023	(Audited) 30 June 2024
Assets				
Non-current assets		**2 875 877**	2 705 183	2 732 031
Property, plant and equipment	5	**1 864 643**	1 710 343	1 762 608
Right-of-use assets	6	**957 849**	962 827	917 414
Intangible assets and goodwill		**25 763**	21 322	24 457
Investments		**800**	800	800
Deferred taxation	7	**26 822**	9 891	26 752
Current assets		**225 494**	224 276	231 747
Inventories		**7 983**	7 833	7 155
Trade receivables		**66 513**	64 853	69 555
Other receivables		**99 961**	96 896	87 238
Taxation receivable		**447**	143	483
Cash and cash equivalents		**35 451**	54 551	67 316
		210 355	224 276	231 747
Assets held-for-sale	5	**15 139**	–	–
Total assets		**3 101 371**	2 929 459	2 963 778
Equity				
Capital and reserves		**1 238 150**	1 168 571	1 173 594
Stated capital		**1 273 133**	1 315 694	1 273 133
Treasury shares		**(520 281)**	(512 807)	(512 807)
Other reserves		**79 813**	77 388	77 524
Retained earnings		**405 485**	288 296	335 744
Liabilities				
Non-current liabilities		**1 533 027**	1 467 655	1 405 856
Interest-bearing borrowings	8	**60 000**	–	–
Lease liabilities	9	**1 395 761**	1 393 216	1 336 312
Provisions		**10 696**	10 696	10 696
Deferred taxation	7	**66 570**	63 743	58 848
Current liabilities		**330 194**	293 233	384 328
Taxation payable		**4 879**	1 361	9 312
Trade and other payables		**241 144**	250 050	294 320
Lease liabilities	9	**84 171**	41 822	80 696
Total liabilities		**1 863 221**	1 760 888	1 790 184
Total equity and liabilities		**3 101 371**	2 929 459	2 963 778

Condensed consolidated statement of profit or loss and other comprehensive income

R000	Notes	Six months ended 31 December 2024	% change	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
Revenue	10	**1 023 096**	2	1 002 532	1 930 538
Other income		**3 861**		4 477	11 847
Expected credit loss reversal/(charge) on trade receivables		**447**		(121)	1 697
Salaries and wages		**(288 810)**	6	(271 808)	(553 290)
Property costs		**(95 933)**	2	(93 904)	(165 301)
Food and beverage costs		**(77 648)**		(77 780)	(146 181)
Rooms related costs		**(104 507)**	(5)	(110 471)	(226 248)
Unrealised gains/(losses) on foreign exchange		**10 879**		(6 781)	(11 751)
Other operating costs		**(148 709)**	4	(142 374)	(282 407)
Depreciation and amortisation		**(43 671)**		(35 630)	(76 316)
Depreciation on right-of-use assets		**(45 786)**		(47 502)	(94 986)
Operating profit		**233 219**	6	220 638	387 602
Interest income		**725**		2 849	3 341
Interest expense		**(66 373)**		(70 619)	(136 519)
Profit before taxation		**167 571**	10	152 868	254 424
Taxation		**(47 163)**	3	(45 600)	(65 757)
Profit for the period		**120 408**	12	107 268	188 667
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences (non-taxable)		**120**		1 031	1 383
Total comprehensive income for the period		**120 528**	11	108 299	190 050
Basic earnings per share (cents)	13.1	**21.6**	15	18.8	33.3
Basic diluted earnings per share (cents)	13.1	**21.6**	16	18.7	33.2

Condensed consolidated statement of cash flows

R000	Notes	**Six months ended 31 December 2024**	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
Cash inflow from operating activities		**91 199**	122 798	299 839
Cash generated by operations	12	**250 499**	265 928	576 700
Interest received		**725**	2 849	3 341
Interest paid		**(2 545)**	(10 035)	(12 430)
Interest paid - leases	9	**(62 926)**	(64 254)	(127 728)
Taxation paid		**(43 887)**	(26 005)	(60 408)
Dividends paid		**(50 667)**	(45 685)	(79 636)
Cash outflow from investing activities		**(152 331)**	(62 836)	(164 639)
Investment to maintain operations		**(145 658)**	(62 836)	(164 639)
Investment to expand operations		**(6 673)**	–	–
Cash inflow/(outflow) from financing activities		**29 135**	(333 649)	(396 060)
Capital repayment of lease liabilities	9	**(23 391)**	(16 548)	(36 398)
Purchase of incentive scheme shares		**(7 474)**	(8 078)	(8 078)
Repurchase of ordinary shares		**–**	(9 023)	(51 584)
Proceeds from interest-bearing borrowings	8	**60 000**	–	–
Repayments of interest-bearing borrowings	8	**–**	(300 000)	(300 000)
Net decrease in cash and cash equivalents		**(31 997)**	(273 687)	(260 860)
Cash and cash equivalents at the beginning of period		**67 316**	328 345	328 345
Effect of movements in exchange rates on cash held		**132**	(107)	(169)
Cash and cash equivalents at the end of period		**35 451**	54 551	67 316

Condensed consolidated statement of changes in equity

R000	Stated capital	Treasury shares	Other reserves	Retained earnings	Total
Balance as at 30 June 2023	1 324 717	(504 729)	71 283	226 713	1 117 984
Total comprehensive income for the period	–	–	1 031	107 268	108 299
Profit for the period	–	–	–	107 268	107 268
Foreign currency translation differences	–	–	1 031	–	1 031
Transactions with owners, recorded directly in equity	(9 023)	(8 078)	5 074	(45 685)	(57 712)
Repurchase of ordinary shares	(9 023)	–	–	–	(9 023)
Incentive scheme shares	–	(8 078)	–	–	(8 078)
Share compensation reserve	–	–	5 074	–	5 074
Dividends paid	–	–	–	(45 685)	(45 685)
Balance as at 31 December 2023	1 315 694	(512 807)	77 388	288 296	1 168 571
Total comprehensive income for the period	–	–	352	81 399	81 751
Profit for the period	–	–	–	81 399	81 399
Foreign currency translation differences	–	–	352	–	352
Transactions with owners, recorded directly in equity	(42 561)	–	(216)	(33 951)	(76 728)
Repurchase of ordinary shares	(42 561)	–	–	–	(42 561)
Share compensation reserve	–	–	(216)	–	(216)
Dividends paid	–	–	–	(33 951)	(33 951)
Balance as at 30 June 2024	1 273 133	(512 807)	77 524	335 744	1 173 594
Total comprehensive income for the period	**–**	**–**	**120**	**120 408**	**120 528**
Profit for the period	**–**	**–**	**–**	**120 408**	**120 408**
Foreign currency translation differences	**–**	**–**	**120**	**–**	**120**
Transactions with owners, recorded directly in equity	**–**	**(7 474)**	**2 169**	**(50 667)**	**(55 972)**
Incentive scheme shares	**–**	**(7 474)**	**–**	**–**	**(7 474)**
Share compensation reserve	**–**	**–**	**2 169**	**–**	**2 169**
Dividends paid	**–**	**–**	**–**	**(50 667)**	**(50 667)**
Balance as at 31 December 2024	**1 273 133**	**(520 281)**	**79 813**	**405 485**	**1 238 150**

Notes to the condensed unaudited consolidated interim financial statements

1. Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2024 are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS ® Accounting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the 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 unaudited consolidated interim financial statements are in terms of IFRS Accounting Standards and are consistent with those applied in the most recent audited annual financial statements. The condensed unaudited consolidated interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2024.

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2024 have been presented on the historical cost basis, and are presented in South African Rand, which is City Lodge Hotels' functional and presentation currency.

These condensed unaudited consolidated interim financial statements have been prepared under the supervision of Ms D Nathoo CA(SA), in her capacity as chief financial officer and have been authorised by the directors who take full responsibility for the preparation of the interim report.

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2024 have not been audited or reviewed by the company's auditors, PricewaterhouseCoopers Inc.

2. New and amended standards adopted by the group

Management has reviewed accounting standards issued and not yet effective and these are not expected to have a material impact on the group.

3. Significant judgements and estimates

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. The estimates and associated assumptions are based on historical experience, consideration of market predictions at these unprecedented times and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Impairments

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairments, as set out in note 4, explains the significant areas of estimation, uncertainty and critical judgements, in applying accounting policies which have the most significant effect on the amounts recognised in the financial statements.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. These extension and termination options are included in a number of the lease agreements across the group and are used to maximise operational flexibility in terms of managing the assets used in the group's operations.

The group's leasing portfolio comprises leases in relation to leases of land and/or buildings for its hotel operations. These lease agreements have varying tenures from 2 years to 30 years. The agreements also contain options to extend for up to 5 renewal periods.

The extension options (or periods after termination options) have been considered. Due to the long tenure for the majority of the leases and to ensure that management maintains operational flexibility within the group as the location and business environment to which the hotel operates does change over time, where certain, only one lease renewal period has been included in the lease term.

All extension and termination options held are exercisable by the group and not by the respective lessor. The group assesses the certainty of renewal extensions annually, and evaluates all leases renewals with a renewal date within two years of the reporting date.

All future cash outflows have been included in the lease liability.

Refer to note 6 Right-of-use assets and note 9 Lease liabilities for details of specific leases that have been remeasured during the current year due to changes in the lease term.

4. Impairments

Management has assessed the group's property, plant and equipment and right-of-use assets for impairment. by reviewing the operating results used to calculate value in use and fair value less cost of disposal in the prior financial year. Operating results for the first half of the financial year are lower than anticipated due to subdued occupancies and the lingering impact of historically higher inflation, interest rates and a conservative outlook by consumers and investors since the formation of the GNU. However, the three consecutive interest rate cuts in the recent months has, and lower inflation had a positive impact on the 10-year bond yields which resulted in a reduction in discount rates as at 31 December 2024. The reduced discount rates offset the impact of lower cash flows in the first half of the financial year in the impairment calculation. Management still considers the forecast operating results to be reasonable given the positive impact of softer inflation, lower interest rates and the introduction of the two-pot retirement system has had on the economy. Spending trends have been improving and the effects of this can be seen in the gradual improvement in occupancies during the months of January and February 2025.

Mozambique has experienced varying degrees of disruption following the national elections held in October 2024. Unrest in the wake of the outcome of the elections over the last few months has impacted travel in Maputo due to safety concerns. City Lodge Hotel Maputo fortunately experienced no physical damage during this time. There has been improved trading activity since the inauguration of the new president in January 2025, however it is still very early to determine the impact the new government will have on the overall economy of Mozambique.

Accordingly, management is of the view that the carrying values of property, plant and equipment and right-of-use assets are fairly stated at 31 December 2024 and no additional impairments or impairment reversals are required. The impairment assessments of property, plant and equipment, and right-of-use assets will be revised at year end to take into account any changes in the technical inputs and the impact that changing conditions may have on the estimated future cash flows.

5. Property, plant and equipment

R000	**31 December 2024**	31 December 2023	(Audited) 30 June 2024
At cost			
Land	**144 217**	143 320	142 596
Buildings	**2 294 647**	2 218 909	2 226 406
- freehold	**1 800 876**	1 822 492	1 737 346
- leasehold	**493 771**	396 417	489 060
Buildings under construction	**38 945**	8 797	34 785
Furniture and equipment	**834 360**	758 008	788 289
	3 312 169	3 129 034	3 192 076
Accumulated depreciation and impairment losses			
Buildings	**882 134**	848 376	873 439
- freehold	**547 549**	541 944	548 834
- leasehold	**334 585**	306 432	324 605
Furniture and equipment	**565 392**	570 315	556 029
	1 447 526	1 418 691	1 429 468
Carrying amount			
Land	**144 217**	143 320	142 596
Buildings	**1 412 513**	1 370 533	1 352 967
- freehold	**1 253 327**	1 280 548	1 188 512
- leasehold	**159 186**	89 985	164 455
Buildings under construction	**38 945**	8 797	34 785
Furniture and equipment	**268 968**	187 693	232 260
	1 864 643	1 710 343	1 762 608

5. Property, plant and equipment continued

R000	Land	Buildings	Furniture and equipment	Total
Movements in carrying amount for the period				
Opening balance - 30 June 2023	144 523	1 396 608	146 698	1 687 829
Additions	–	8 797	53 398	62 195
Depreciation	–	(20 891)	(13 146)	(34 037)
(Loss)/gain of foreign exchange movement	(1 203)	(5 184)	743	(5 644)
Closing balance - 31 December 2023	143 320	1 379 330	187 693	1 710 343
Additions	–	36 064	61 223	97 287
Disposals - cost	–	–	(25 969)	(25 969)
Disposals - accumulated depreciation	–	–	25 896	25 896
Depreciation	–	(23 368)	(15 725)	(39 093)
Loss of foreign exchange movement	(724)	(4 274)	(858)	(5 856)
Closing balance - 30 June 2024	142 596	1 387 752	232 260	1 762 608
Additions	**–**	**92 037**	**57 290**	**149 327**
Depreciation	**–**	**(21 772)**	**(20 201)**	**(41 973)**
Gain of foreign exchange movement	**1 621**	**8 082**	**117**	**9 820**
Reclassification to assets held-for-sale[1]	**–**	**(14 641)**	**(498)**	**(15 139)**
Closing balance - 31 December 2024	**144 217**	**1 451 458**	**268 968**	**1 864 643**

[1] *The agreement for the disposal of City Lodge Hotel Katherine Street has been concluded and is now unconditional. The hotel permanently ceased operations on 13 December 2024. The transfer of title is expected to complete by 30 June 2025. The property has been classified as assets held-for-sale in terms of the requirements of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. Based on expected proceeds of R68.0 million, no impairment was required.*

6. Right-of-use assets

R000	31 December 2024	31 December 2023	(Audited) 30 June 2024
Opening balance	**917 414**	1 010 852	1 010 852
Depreciation	**(45 786)**	(47 502)	(94 986)
Remeasurement[1]	**86 263**	–	2 311
Effects of movement in exchange rates	**(42)**	(523)	(763)
Closing balance	**957 849**	962 827	917 414
Cost	**1 634 720**	1 546 673	1 548 411
Accumulated depreciation and impairment losses	**(676 871)**	(583 846)	(630 997)
Carrying amount	**957 849**	962 827	917 414

[1] *The remeasurement during the six months ended 31 December 2024 relates to the group's intention to exercise its right to renew the lease of Town Lodge Menlo Park for 30 years and the finalisation of the lease renewal of City Lodge Hatfield for two years. The remeasurement for the financial year ended 30 June 2024 relates to the group exercising its first right of refusal to purchase the land currently being leased for its City Lodge Hotel Fourways. The transfer of the title of the land is expected to take place before the end of the 30 June 2025 financial year.*

The leasing activities of the group relate to the leasing of land and/or buildings. During the six months ended 31 December 2024, the group did not recognise any new impairments or reversals. Refer to note 4 for further information on the impairments and related key assumptions.

Associated lease liabilities are disclosed in note 9.

Notes to the condensed unaudited consolidated interim financial statements continued

R000	31 December 2024	31 December 2023	(Audited) 30 June 2024
7. Deferred taxation			
Movement in deferred taxation assets			
Opening balance	**26 752**	10 574	10 574
Charged to profit or loss	**49**	(503)	(3 541)
Impairment reversal of deferred tax asset	**–**	–	20 000
Foreign exchange movement	**21**	(180)	(281)
Closing balance	**26 822**	9 891	26 752
Movement in deferred taxation liabilities			
Opening balance	**58 848**	43 387	43 387
Charged to profit or loss	**7 722**	20 356	15 461
Closing balance	**66 570**	63 743	58 848

The expected manner of recovery of the deferred tax assets and settlement of the liabilities will be through use.

R000	31 December 2024	31 December 2023	(Audited) 30 June 2024
8. Interest-bearing borrowings			
Loan Facility 1 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 1.95% and 2.35% based on covenants. Outstanding loan capital is repayable on 30 June 2025.	**–**	–	–
Loan Facility 2 is a revolver facility of R300 million in total and bears interest at the three-month JIBAR plus margins ranging between 2.10% and 2.50% based on covenants. Outstanding loan capital is repayable on 30 June 2026.	**60 000**	–	–
Loan Facility 3 is a revolver facility of R150 million in total and bears interest at the one month JIBAR plus margins ranging between 2.20% and 2.70% based on covenants. Outstanding loan capital is repayable on 30 June 2027.	**–**	–	–
Non-current liabilities	**60 000**	–	–
Movement in interest-bearing borrowings for the period			
Opening balance	**–**	300 000	300 000
Borrowings raised	**60 000**	–	–
Borrowings repaid	**–**	(300 000)	(300 000)
Interest charged	**3 447**	6 360	8 509
Interest paid	**(2 545)**	(10 030)	(12 148)
	60 902	(3 670)	(3 639)
Opening balance - interest	**31**	3 670	3 670
Interest accrued included in sundry accruals	**(933)**	–	(31)
Closing balance	**60 000**	–	–

The covenants for all measurement periods during the six months ended 31 December 2024 were met.

Notes to the condensed unaudited consolidated interim financial statements continued

R000	31 December 2024	31 December 2023	(Audited) 30 June 2024
9. Lease liabilities			
Movement in lease liabilities for the period			
Opening balance	**1 417 008**	1 452 575	1 452 575
Interest expense accrued	**62 926**	64 254	127 728
Capital lease payments	**(23 391)**	(16 548)	(36 398)
Interest payments	**(62 926)**	(64 254)	(127 728)
Remeasurements[1]	**86 263**	–	2 311
Effects of movement in exchange rates	**52**	(989)	(1 480)
Closing balance	**1 479 932**	1 435 038	1 417 008
Lease liabilities recognised in the statement of financial position are analysed as:			
Non-current portion	**1 395 761**	1 393 216	1 336 312
Current portion[2]	**84 171**	41 822	80 696
	1 479 932	1 435 038	1 417 008

[1] *The remeasurement of the lease during the six months ended 31 December 2024 relates to the group's intention to exercise its right to renew the lease of Town Lodge Menlo Park for 30 years and the finalisation of the lease renewal of City Lodge Hatfield for two years.*

[2] *The increase in the current portion of the lease liability in comparison to the results for the six months ended 31 December 2023 is as a result of the accepted offer to exercise the first right of refusal in the City Lodge Hotel Fourways lease, for the purchase of the land. The purchase price of R34 million has been included as the last lease payment payable within the next 12 months.*

Associated right-of-use assets are disclosed in note 6.

Notes to the condensed unaudited consolidated interim financial statements continued

10. Revenue

The group derives revenue at a point in time, together with its customer reward programmes, which are earned as they are redeemed or expire. The group has contract liabilities from income received in advance and the customer reward programmes, which are included within trade and other payables.

Revenue increased by 2% compared to the prior period. Occupancy has been slow to recover from a tumultuous start to 2024 due to national elections, lack of consumer and investor confidence, and the stifling impact of load shedding and poor economic conditions on household and business disposable income. These conditions resulted in a four percentage points decrease in occupancy. These adverse conditions were offset by strong growth in average room rate of 10%, resulting in an overall 1% increase in rooms revenue. The enhanced food and beverage offer is now well established over the last two years and revenue growth has started to stabilise, delivering a 6% increase, despite the lower occupancies.

Disaggregation of the revenue from contracts with customers for the period under review:

R000	Six months ended 31 December 2024	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
Accommodation	**814 971**	806 659	1 552 304
Food and beverage	**200 192**	188 525	363 288
Other revenue[1]	**7 933**	7 348	14 946
	1 023 096	1 002 532	1 930 538

[1] *Other revenue comprises conferencing, boardroom hire and miscellaneous revenue.*

	R000	Rooms revenue	Food and beverage revenue	Other revenue	Total
10.1	**Revenue by segment**				
	Six months ended 31 December 2024				
	South Africa	**782 345**	**185 905**	**7 668**	**975 918**
	Courtyard Hotel	**66 781**	**23 032**	**2 684**	**92 497**
	City Lodge Hotel	**427 374**	**97 370**	**3 248**	**527 992**
	Town Lodge	**115 755**	**34 426**	**1 012**	**151 193**
	Road Lodge	**172 435**	**31 077**	**724**	**204 236**
	Rest of Africa	**32 626**	**14 287**	**265**	**47 178**
		814 971	**200 192**	**7 933**	**1 023 096**
	Six months ended 31 December 2023				
	South Africa	771 368	178 835	7 102	957 305
	Courtyard Hotel	61 086	21 374	2 534	84 994
	City Lodge Hotel	414 960	94 416	3 014	512 390
	Town Lodge	124 132	34 336	965	159 433
	Road Lodge	171 190	28 709	589	200 488
	Rest of Africa	35 291	9 690	246	45 227
		806 659	188 525	7 348	1 002 532
	Year ended 30 June 2024 (Audited)				
	South Africa	1 483 752	344 428	14 430	1 842 610
	Courtyard Hotel	121 596	41 828	5 156	168 580
	City Lodge Hotel	807 401	182 512	6 118	996 031
	Town Lodge	229 555	64 226	1 939	295 720
	Road Lodge	325 200	55 862	1 217	382 279
	Rest of Africa	68 552	18 860	516	87 928
		1 552 304	363 288	14 946	1 930 538

Notes to the condensed unaudited consolidated interim financial statements continued

R000	Six months ended 31 December 2024	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
11. Reconciliation of operating profit to EBITDAR[1]			
EBITDAR is made up as follows:			
Operating profit	**233 219**	220 638	387 602
Depreciation and amortisation	**43 671**	35 630	76 316
Depreciation on right-of-use assets	**45 786**	47 502	94 986
Variable lease payments	**7 425**	8 535	15 533
EBITDAR[1]	**330 101**	312 305	574 437
Unrealised (gains)/losses on foreign exchange[2]	**(10 879)**	6 781	11 751
Adjusted EBITDAR	**319 222**	319 086	586 188

[1] *The group defines EBITDAR as earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 Rent Adjustment, and exceptional items. EBITDAR is used by the group as measure of earnings from normal day-to-day operations.*

[2] *Exceptional items are considered to be those that are not within the normal day-to-day operations of the business and sufficiently material or unusual that they would distort the numbers if they were not adjusted. This would include headline adjustments that impact EBITDAR.*

R000	Six months ended 31 December 2024	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
12. Note to the statement of cash flows			
Cash generated by operations			
Profit before taxation	**167 571**	152 868	254 424
Adjusted for:			
– depreciation and amortisation	**43 671**	35 630	76 316
– depreciation on right-of-use assets	**45 786**	47 502	94 986
– interest income	**(725)**	(2 849)	(3 341)
– interest expense	**3 447**	6 365	8 791
– interest expense - leases	**62 926**	64 254	127 728
– profit on disposal of property, plant and equipment	**–**	–	(138)
– share-based payment expense	**2 169**	5 074	4 858
– unrealised foreign currency (gains)/losses	**(10 879)**	6 497	11 751
Operating cash flows before working capital changes	**313 966**	315 341	575 375
(Increase)/decrease in inventories	**(828)**	(556)	122
Increase in trade and other receivables	**(9 681)**	(8 492)	(3 536)
(Decrease)/increase in trade and other payables	**(52 958)**	(40 365)	4 739
	250 499	265 928	576 700

Notes to the condensed unaudited consolidated interim financial statements continued

R000	Six months ended 31 December 2024	Six months ended 31 December 2023	(Audited) Year ended 30 June 2024
13. Headline earnings			
13.1 Headline earnings reconciliation			
Profit used to calculate basic and diluted earnings per share (EPS)	**120 408**	107 268	188 667
Profit on disposal of property, plant and equipment	**–**	–	(138)
Headline earnings	**120 408**	107 268	188 529
Unrealised (gains)/losses on foreign exchange	**(10 879)**	6 781	11 751
Impairment reversal of deferred tax asset		–	(20 000)
Adjusted headline earnings[1]	**109 529**	114 049	180 280
Basic earnings per share (cents) (EPS)			
– undiluted	**21.6**	18.8	33.3
– diluted	**21.6**	18.7	33.2
Headline earnings per share (cents) (HEPS)			
– undiluted	**21.6**	18.8	33.2
– diluted	**21.6**	18.7	33.2
Adjusted headline earnings per share (cents) (Adjusted HEPS)			
– undiluted	**19.6**	20.0	31.8
– diluted	**19.6**	19.9	31.8
13.2 Share statistics			
Total net shares in issue[2] ('000)	**556 149**	569 640	559 932
Undiluted weighted average number of shares in issue[2] ('000)	**557 473**	570 490	567 391
Dilutive share awards ('000)	**731**	2 072	389
Diluted weighted average number of shares in issue[3] ('000)	**558 204**	572 562	567 780
Net book asset value per share[3]	**223**	205	210

1 *The group uses adjusted headline earnings as a performance measure to determine the underlying profit excluding exceptional items over and above those that are excluded from headline earnings as per the requirements of Circular 1-2023 Headline earnings. This measure is not required by IFRS Accounting Standards but is commonly used in the industry.*

2 *Net of treasury shares of 41 998 002.*

3 *Net book asset value per share is capital and reserves expressed as a percentage of net shares in issue. This is a non-IFRS measure and has been consistently applied from one year to the next.*

14. Segment analysis

The segment information has been prepared in accordance with IFRS 8 - *Operating Segments* which defines the requirements for the disclosure of the financial information of an entity's operating segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the group's CEO and executive committee. The CODM reviews the group's internal reporting by hotel brand in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM which are used to make strategic decisions. The CODM assesses the performance of the operating segments based on revenue, EBITDAR (Earnings before interest, income tax, depreciation, amortisation, rent and exceptional items), and Adjusted EBITDAR (EBITDAR which excludes unrealised foreign exchange gains or losses). The measure also excludes all headline earning adjustments and impairments. Finance income and finance costs are not included in the results for each operating segment, as the cash and debt position is managed at a group level.

Notes to the condensed unaudited consolidated interim financial statements continued

14. Segment analysis continued

The CODM considers the business from both a hotel brand and geographical basis. The following are the six reportable segments identified and monitored by the CODM:

- Courtyard Hotels is the group's luxury brand comprising five hotels;
- City Lodge Hotels is the group's upper mid-scale brand comprising of 19 hotels;
- Town Lodge is the group's mid-scale brand comprising of 12 hotels;
- Road Lodge is the group's economy brand comprising of 23 hotels;
- Rest of Africa consists of the group's non-South African hotels division which owns, operates and manages hotels in Botswana, Mozambique and Namibia; and
- Central Office consists of the group's management division which manages all the hotels.

Six months ended 31 December 2024

				Material expenses included in EBITDAR			
R000	Revenue[1]	EBITDAR[2]	Adjusted EBITDAR	Salaries and wages	Property costs	Food and beverage costs	Rooms related costs
South Africa	**975 918**	**384 076**	**384 076**	**(234 607)**	**(93 330)**	**(73 922)**	**(100 061)**
Courtyard Hotel	**92 497**	**31 108**	**31 108**	**(24 218)**	**(8 961)**	**(8 882)**	**(9 673)**
City Lodge Hotel	**527 992**	**237 222**	**237 222**	**(116 234)**	**(45 338)**	**(38 087)**	**(52 280)**
Town Lodge	**151 193**	**44 108**	**44 108**	**(43 742)**	**(14 892)**	**(13 659)**	**(18 313)**
Road Lodge	**204 236**	**71 638**	**71 638**	**(50 413)**	**(24 139)**	**(13 294)**	**(19 795)**
Rest of Africa[3]	**47 178**	**22 019**	**11 140**	**(12 708)**	**(2 350)**	**(3 726)**	**(4 446)**
Central Office	**–**	**(75 994)**	**(75 994)**	**(41 495)**	**(253)**	**–**	**–**
	1 023 096	**330 101**	**319 222**	**(288 810)**	**(95 933)**	**(77 648)**	**(104 507)**
Margin		**32.3 %**	**31.2 %**				

Six months ended 31 December 2023

R000	Revenue[1]	EBITDAR[2]	Adjusted EBITDAR	Salaries and wages	Property costs	Food and beverage costs	Rooms related costs
South Africa	957 305	376 502	376 502	(223 299)	(91 079)	(74 187)	(105 828)
Courtyard Hotel	84 994	24 893	24 893	(22 626)	(9 131)	(8 773)	(9 991)
City Lodge Hotel	512 390	224 745	224 745	(112 090)	(44 608)	(37 761)	(56 991)
Town Lodge	159 433	53 114	53 114	(41 705)	(15 572)	(14 455)	(18 676)
Road Lodge	200 488	73 750	73 750	(46 878)	(21 768)	(13 198)	(20 170)
Rest of Africa[3]	45 227	6 894	13 675	(11 801)	(2 584)	(3 593)	(4 643)
Central Office	–	(71 091)	(71 091)	(36 708)	(241)	–	–
	1 002 532	312 305	319 086	(271 808)	(93 904)	(77 780)	(110 471)
Margin		31.2 %	31.8 %				

[1] *All revenue and income from hotel operations are derived from external customers. No one customer contributes more than 10% to the group's total revenue.*
[2] *Refer to reconciliation of operation profit/loss to EBITDAR in note 11.*
[3] *Adjusted EBITDAR for Rest of Africa excludes unrealised foreign currency gain of R10.9 million (six months ended 31 December 2023: unrealised foreign currency loss of R6.8 million).*

Geographical information

	South Africa		Rest of Africa		Total	
R000	**Six months ended 31 December 2024**	Six months ended 31 December 2023	**Six months ended 31 December 2024**	Six months ended 31 December 2023	**Six months ended 31 December 2024**	Six months ended 31 December 2023
Property, plant and equipment (including assets held-for-sale)	**1 502 089**	1 333 857	**377 693**	376 486	**1 879 782**	1 710 343
Right-of-use assets	**890 628**	884 393	**67 221**	78 434	**957 849**	962 827

Notes to the condensed unaudited consolidated interim financial statements continued

15. Related parties

The group had no significant related party transactions during the six months ended 31 December 2024, nor did the group enter into any new significant related party transactions during the period.

16. Commitments

There is continued focus on the upgrade and refurbishment of the portfolio and the further roll-out of our new generation hotel room designs through intensive reinvestment in a few older generation hotels, and the adoption of more resilient water solutions. During the period, the group had ten refurbishment projects underway.

As at 31 December 2024, the group spent R152.3 million on expansionary and maintenance capital expenditure for the six months. A further R218 million of capital expenditure has been planned for the remainder of the financial year, of which R108 million has been committed.

17. Contingent liabilities

The group has no contingent liabilities as at 31 December 2024.

18. Subsequent events

The board has approved an interim ordinary dividend of six cents per ordinary share (four and eight tenths cents net after deducting withholding tax) in respect of the six months ended 31 December 2024 (HY2024: 6 cents and 4.80 cents net after deducting withholding tax). The source of the dividend will be from distributable reserves. The dividend will be payable on 17 March 2025 to shareholders registered in the Company's securities register on 14 March 2025.

The group has repaid R20 million of the outstanding debt subsequent to 31 December 2024.

Other than the above, the directors are not aware of any matter or circumstance arising since the reporting date and the date of this report.

19. Liquidity and funding

The group has access to three secured facilities with its lenders, which provides total debt facilities of R600.0 million, and overdraft facilities of R115.0 million. As at 31 December 2024, R60.0 million of the debt facilities have been utilised and the overdraft facilities remain undrawn. The loan facilities package offers:

- All three debt facilities are revolver facilities maturing between June 2025 and June 2027.
- Additional access to R300,0 million accordion facilities which has been included in the loan agreements, but is subject to the funder's credit committee approval on application.

The group has operating cash flows of R91.2 million (HY2024: R122.8 million) and continues to generate positive cash flows to continue the planned reinvestment in the group's capital refurbishment programme and declare returns to its shareholders through dividends.

20. Going concern

The condensed consolidated interim financial statements for the six months ended 31 December 2024 are prepared on a going concern basis. Based on cash flow forecasts, which considered the pressures from global economic forces, constrained consumer spending trends, balanced by positive economic sentiment as inflation and interest rates decline, the upcoming G20 summit and related activity across South Africa, and cash and funding resources available, the directors believe that the group have sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

The group has made a profit for the six months ended 31 December 2024 of R120.4 million (HY2024: R107.3 million). As at 31 December 2024, the group has a net cash and cash equivalent of R35.5 million (HY2024: R54.6 million). Even though current liabilities exceed its current assets by R104.7 million (HY2024: Current liabilities exceed current assets by R69.0 million), the group has adequate liquidity (refer to note 19) to meet its obligations as they become due, over the next twelve months from the reporting date.

All covenants during the measurement periods have been met during the period. The group monitors the covenants on a quarterly basis and does not expect to breach covenants.

Administration

CITY LODGE HOTELS LIMITED

Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792

DIRECTORS

B T Ngcuka (Chairman), A C Widegger (Chief executive officer)*,
S J Enderle#, G G Huysamer, F W J Kilbourn (Deputy chairman), A R Lapping,
M S P Marutlulle, M G Mokoka, D Nathoo (Chief financial officer)*, L G Siddo (Chief operating officer)*
**Executive # South African and Swiss*

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COMPANY SECRETARY

M C van Heerden

SPONSOR

Nedbank Corporate and Investment Banking, a division of Nedbank Limited