Hospitality PROPERTY FUND

Consolidated annual financial statements for the year ended 31 March 2018

Contents

Consolidated annual financial statements

for the year ended 31 March 2018

Reporting suite

In order to provide stakeholders with a holistic and transparent view of our business model and strategy, more detailed information is also contained in our supplementary reporting suite, which will be available on the Company's website as follows:

- **Integrated report and notice of annual general meeting**
  A summarised overview of our performance for the year and disclosure on the adoption of King IV principles.

- **Results presentations**
  A database of our results presentations to analysts and investors.

- **SENS announcements**
  A database of all regulatory announcements published on the Stock Exchange News Service.

Statement of responsibility by the board of directors

for the year ended 31 March 2018

The Company's directors are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year which fairly present the state of affairs of the Company and the group at the end of the financial year and of the results of operations and cash flows for the period. In preparing the accompanying annual financial statements, the JSE Listings Requirements together with the International Financial Reporting Standards ('IFRS') have been followed, suitable accounting policies have been used, applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the audit and risk committee and the effects thereof are fully explained in the annual financial statements. The annual financial statements incorporate full and responsible disclosure. The board has oversight for the information included in the integrated annual report and is responsible for both its accuracy and its consistency with the annual financial statements.

The board has reviewed the group's budget and cash flow forecast for the year to 31 March 2019. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the board is satisfied that the group is a going concern and it has accordingly adopted the going concern basis in preparing the annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on pages 6 to 9. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The board recognises and acknowledges its responsibility for the group's systems of internal financial control. The group's code of conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins its internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, which is approved by the board.

The board considers that the systems are appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored by the Chief Executive and Financial Director and through testing by internal auditors and the independent auditors' testing of the appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and the underlying subsidiaries.

Directors' approval of the annual financial statements

The preparation of the financial statements set out on pages 4 to 54 have been supervised by the Financial Director, MR de Lima, CA(SA). These annual financial statements were approved by the board of directors on 23 May 2018 and are signed on its behalf by:

JA Copelyn
Chairman

KG Randall
Chief Executive Officer

Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, in my capacity as Company Secretary, I confirm that for the period ended 31 March 2018, Hospitality Property Fund Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices that are required by a public company in terms of the Companies Act and all such returns and notices are true, correct and up to date.

LR van Onselen
Company Secretary

23 May 2018

Report of the audit and risk committee

for the year ended 31 March 2018

The audit and risk committee ('the committee') is pleased to submit its report in compliance with section 94(7)(f) of the Companies Act. The committee has fulfilled its duties in terms of its statutory obligations contained in the Companies Act, the JSE Listings Requirements, its terms of reference and the King IV™ Code on Corporate Governance in South Africa.

Statutory duties

The committee is satisfied that in respect of the financial year it has performed all the functions required by law to be performed by an audit and risk committee, including as set out in section 94 of the Companies Act and the JSE Listings Requirements and in terms of the committee's terms of reference and as further set out in the corporate governance report. In this connection, and with specific regard to the preparation of the annual financial statements, the committee has:

- in accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee confirms that the Company has established financial reporting procedures and those procedures are operating;
- evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Companies Act. The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office. AG Taylor is the individual registered auditor and member of the aforegoing firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the auditor of the group for two years, with the rotation of the designated audit partner during 2017 for the 2018 financial year end. AG Taylor replaced V Muguto on 19 February 2018 following Mr Muguto's voluntary removal from the JSE's list of accredited auditors;
- in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements the committee confirms that it has assessed the suitability of PricewaterhouseCoopers Inc. and AG Taylor and is satisfied with their suitability for appointment, as well as their independence;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act, the Auditing Profession Act, 2005, and the JSE Listings Requirements;
- evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- considered and pre-approved all audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- reviewed and approved the group accounting policies (refer to note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is in terms of IFRS;
- considered the impact of auditing, regulatory and accounting developments during the year;
- evaluated and is satisfied with the effectiveness of the outsourced internal audit function;
- reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls, in addition to the findings noted by the external auditors during the course of their annual audit in support of their annual audit opinion. Based on these results the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable annual financial statements; and
- dealt with concerns or complaints relating to accounting practices and internal audit of the group, the content or auditing of the group's financial statements, the internal financial controls of the group, or any other related matter.

Key audit matters as agreed with external auditor

The key audit matters as agreed with the auditors are areas of judgement which could materially affect the financial statements and have been disclosed as such in note 2 to the annual financial statements.

Valuation and the classification of investment

The group's accounting policy on investment property states it is held at fair value. The fair values of the investment properties are determined using a discounted cash flow model and this methodology was also used by the independent valuators. The committee considered the property valuations and assumptions used for the year-end valuations.

Evaluation of the expertise and experience of the Financial Director

The committee has also considered and satisfied itself as to the appropriateness of the expertise and experience of the Financial Director, Mrs MR de Lima, and the finance function.

Recommendation of the annual financial statements and accounting policies to the board for approval

The committee reviewed the accounting policies, judgements, estimates and content of the annual financial statements for the 2018 financial year. The committee is satisfied that they are adequate and appropriate and that the financial statements comply with IFRS, the Companies Act, 2008, and the JSE Listings Requirements. To this end, the committee recommended the annual financial statements to the board for approval.

DG Bowden
*Acting Chair**

23 May 2018

** DG Bowden served as acting Chair of the committee at 31 March 2018 and until MSI Gani's appointment as committee Chair on 8 May 2018. The committee is therefore of the view that it is appropriate for Mr Bowden to sign off on the report of the committee at year end, on behalf of its members.*

Directors' report

for the year ended 31 March 2018

1. Nature of business

The Company is a Real Estate Investment Trust ('REIT') listed on the JSE Limited ('JSE'). The Company is the only specialised REIT in South Africa investing in the hotel and leisure sector, providing investors with exposure to both the property and hospitality industries.

2. Share capital

The Cullinan and Merway acquisition was facilitated through the issue of 174 064 861 shares at R14.00. An additional 2 150 856 shares were issued at R14.02 as part of the purchase price on the Savana acquisition.

A fully committed rights offer to raise R1.0 billion closed successfully on 4 August 2017, through the issue of 71 428 571 new Hospitality shares at an issue price of R14.00 each, in the ratio of 21.76820 new Hospitality shares for every 100 Hospitality shares held.

3. Cullinan and Merway acquisition

Hospitality concluded an agreement with Tsogo Sun to acquire 100% of the share capital in the Cullinan Hotel Proprietary Limited ('Cullinan') and Merway Fifth Investments Proprietary Limited ('Merway') effective 1 July 2017. The acquisition of the portfolio includes 29 investment properties for an aggregate purchase consideration of R3.6 billion, which includes a cash consideration of R1.03 billion and the issue of 174 064 861 shares at R14.00.

The acquisition of 29 hotel properties presents an attractive acquisition for Hospitality, in line with the Fund's growth strategy to acquire value enhancing properties, both from within Tsogo Sun's existing portfolio and from external opportunities, to increase the Fund's critical mass. The acquisition will continue to broaden Hospitality's earnings base, brand and product offering and result in greater presence in primary metropolitan areas.

4. Dividends

The following ordinary dividends were declared during the financial year:

- A clean out dividend of 14.74 cents was declared on 9 June 2017 and paid on 10 July 2017.
- An interim dividend of 27.09 cents was declared on 22 November 2017 and paid on 18 December 2017.
- A final dividend of 78.46 cents was declared on 23 May 2018 and will be paid on 18 June 2018.

The Company has adopted distribution per share as its measure of final results.

5. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the Company significantly.

Subsequent to year end, on 23 May 2018, the board of directors declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2018 of 78.46 cents per share. The number of ordinary shares in issue at the date of this declaration was 575 776 951 (excluding appraisal right shares).

6. Holding company

The Company is owned by Southern Sun Hotels Proprietary Limited, which owns 59.2% of the Company's shares. The Company's ultimate holding company is Hosken Consolidated Investments Limited.

7. Directorate

The board of directors comprised the following directors during the year:

- JA Copelyn (Chairman)^
- GA Nelson (Lead Independent Director)#
- KG Randall (Chief Executive Officer)
- MR de Lima (Financial Director)
- J Booysen^ (appointed 8 June 2017)
- DG Bowden#
- L de Beer# (resigned 5 February 2018)
- MSI Gani# (appointed 8 May 2018)
- SA Halliday#
- ZJ Kganyago^
- ZN Kubukeli#
- ZN Malinga#
- L McDonald^
- JR Nicolella^
- WC Ross# (retired 19 October 2017)
- MN von Aulock^ (resigned 1 June 2017)

 # Independent non-executive director.

^ Non-executive director.

8. Subsidiary companies

Information relating to the Company's interest in its subsidiaries is detailed in note 7 and note 25.

9. Associate companies

Information relating to the Company's interest in its associates is detailed in note 8.

10. External auditors

PricewaterhouseCoopers Inc. were the Company's external auditors during the year and will continue in office in accordance with section 90 of the Companies Act, as amended.

11. Company Secretary

The Company Secretary is HPF Management Proprietary Limited (registration number: 2009/021472/07). The appointed representative of HPF Management Proprietary Limited is LR van Onselen. The business and registered office is:

The Zone II, Lofts East Wing, 2nd Floor
Corner Oxford Road and Tyrwhitt Avenue
Rosebank
2196

Independent auditor's report

To the shareholders of Hospitality Property Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated statements present fairly, in all material respects, the consolidated financial position of Hospitality Property Fund Limited ('the Company') and its subsidiaries (together 'the group') as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

What we have audited

Hospitality Property Fund Limited's consolidated financial statements set out on pages 10 to 44 comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISA'). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

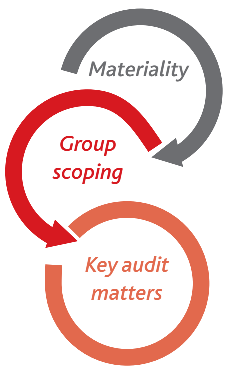
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ('IRBA Code')* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- R31 million, which represents 5% of adjusted consolidated profit before tax.

Group audit scope

- The group consists of 11 companies which include 53 properties in four operating subsidiaries.
- The four operating subsidiaries including the listed entity were in the scope of our group audit.

Key audit matters

- Valuation of investment properties at year end of R12.5 billion.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R31 million
How we determined it	5% of adjusted consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of profit-orientated listed entities in the financial services industry is measured by its users. We adjusted profit before tax for non-cash flow items as this best represents the Funds From Operations ('FFO') as defined by the National Association of Real Estate Investment Trusts ('NAREIT'). The consolidated profit before tax was adjusted for the revaluation of investment properties and derivative financial instruments and the straight-lining adjustment relating to retail leases. We chose 5%, which is consistent with quantitative materiality thresholds used for widely held public companies.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

In addition to defining each subsidiary as a component, we also considered the hotels as components of the group since the results of their operations are used as input in the revenue calculation of the group. The group owns 53 hotels. Revenue earned by the group is split between fixed and variable rental income. As part of our audit, we scoped in 32 hotels and four subsidiaries as components based on the significance of their contribution to the group revenue. The group audit team performed additional audit procedures on the fixed rental income of the remaining hotels and specified audit procedures relating to disclosures in the consolidated financial statements.

In establishing the overall approach to the group audit, we determined the type of work to be performed by us as the group engagement team as well as the component auditors. Where component auditors performed the work, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

By performing the procedures outlined above, combined with additional procedures at a group level, we obtained sufficient and appropriate audit evidence regarding the financial information of the group to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

To the shareholders of Hospitality Property Fund Limited continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties at year end of R12.5 billion The majority of the group's investment property comprises hotel properties. At 31 March 2018, the carrying value of the group's total investment property portfolio was R12.5 billion representing a R4.4 billion increase compared to the prior year (refer to note 4). The movement mainly relates to the acquisition of additional investment properties from the group's parent, Tsogo Sun Holdings Limited and R538 million representing a decrease in the fair value of the properties. The group's accounting policy is to measure investment properties at fair value using the discounted cash flow approach. The value of investment properties is dependent on the operating results of the hotel operations and the inputs into the valuation model. Factors such as prevailing market conditions and country-specific risks directly impact fair values. Among others, the following assumptions are key in determining the fair value: - Net cash flows. - The discount rate applied by management. The fair values of the investment properties was determined with reference to the group's valuation policy. This policy requires all properties to be externally valued by a qualified real estate appraiser ('the appraiser'). We considered the year-end valuation of the properties a matter of most significance to our current year audit because of the: - significant judgement required in determining the net cash flows, exit capitalisation and discount rates; - relative size of the investment properties in the statement of financial position; and - the increase in the investment property balance as a result of the additional properties acquired as well as the valuation loss during the year.	In respect of the additional properties acquired, we agreed the acquisition cost to the relevant transaction agreements and the consideration transferred to the increase in the share capital and bank statement transactions. We considered the relevant accounting treatment of the acquisition and found this to be reasonable. For the valuation at year end we obtained the latest hospitality industry reports to understand the prevailing market conditions in which the group operates. We updated our understanding of and tested the relevant controls related to: - entering and amending of leases in support of contractual rental income; - setting and approval of budgets by the group; and - board approval of the valuations obtained. In respect of the appraiser, we: - considered his objectivity, independence and expertise by inspecting the external appraiser's valuation reports for a statement of independence and compliance with generally accepted valuation standards; and - confirmed the external appraiser's affiliation with the relevant professional body noting no exceptions. On a risk-based sample basis, we independently tested the calculation of the fair values in the appraiser's valuation reports by performing the following procedures, which included: - utilising our internal property valuation expertise to assess the appropriateness of the valuation methodology; - assessing the reasonableness of the cash flows relating to the hotel operations against prior year actual results; - assessing the reasonableness of the growth, exit capitalisation and discount rates against market-related data for similar investment properties noting no exceptions; - independent recalculation of the accuracy of the valuations; and - inspecting the final valuation reports, agreeing the fair value to the group's accounting records noting no exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated annual financial statements and Company annual financial statements, which includes the declaration by the Company Secretary, report of the audit and risk committee and the directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the integrated annual report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Hospitality Property Fund Limited for two years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A Taylor
Registered Auditor
Johannesburg

23 May 2018

Consolidated statement of financial position

as at 31 March

	Notes	31 March 2018 R'000	31 March 2017 R'000
ASSETS			
Non-current assets			
Investment properties	4	**12 533 970**	8 061 038
Furniture, fittings and equipment	6	**163**	198
Investments in associates	8	**751**	477
Derivative asset		**–**	1 870
		12 534 884	8 063 583
Current assets			
Trade and other receivables	9	**133 915**	115 536
Derivative asset		**–**	280
Non-current assets held for sale	5	**65 600**	65 610
Cash and cash equivalents	10	**390 591**	210 054
		590 106	391 480
Total assets		**13 124 990**	8 455 063
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Stated capital	11	**9 027 065**	5 565 258
Non-distributable reserve	12	**2 739 443**	893 526
Common control reserve	7	**(1 106 013)**	–
Retained earnings		**444 108**	138 719
		11 104 603	6 597 503
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	13	**1 936 071**	1 488 493
Derivative liability	26.1	**4 042**	2 514
Long-term incentive liabilities non-current portion	25.2	**1 483**	–
		1 941 596	1 491 007
Current liabilities			
Trade and other payables	14	**51 919**	111 876
Interest-bearing borrowings	13	**–**	230 000
Derivative liability	27.1	**2 241**	548
Long-term incentive liabilities current portion	26.2	**502**	–
Provision for shareholder redemption	11	**24 129**	24 129
		78 791	366 553
Total liabilities		**2 020 387**	1 857 560
Total equity and liabilities		**13 124 990**	8 455 063

The notes on pages 14 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year/period ended 31 March

	Notes	Year ended 2018 R'000	9 months ended 2017 R'000
Revenue	15	**866 917**	498 803
Rental income – contractual		**866 501**	498 803
Rental income – straight-line accrual		**416**	–
Operating expenses	18	**(46 555)**	(38 858)
Operating profit		**820 362**	459 945
Net finance cost		**(164 063)**	(115 504)
Finance income	19	**27 706**	20 556
Finance costs	19	**(191 769)**	(136 060)
Profit before sale of fixed assets, impairment, fair value adjustments, goodwill and taxation		**656 299**	344 441
Profit on sale of investment properties		**–**	36 528
Profit on sale of furniture, fittings and equipment		**109**	–
Goodwill impairment		**–**	(16 003)
Fair value adjustments	20	**(542 931)**	179 191
Investment properties, before straight-lining adjustment		**(537 144)**	184 173
Change in fair value as a result of the straight-lining adjustment		**(416)**	–
Interest rate swaps		**(5 371)**	(4 982)
Profit before taxation		**113 477**	544 157
Equity-accounted profit from associate net of tax	8	**274**	409
Profit for the year		**113 751**	544 566
Other comprehensive income			
Items that may not be reclassified subsequently to profit or loss:			
– Fair value adjustment of the properties acquired under common control		**2 388 848**	–
Total comprehensive income		**2 502 599**	544 566
Profit attributable to:			
– Equity holders		**113 751**	544 566
– Non-controlling interests		**–**	–
Other comprehensive income attributable to:			
– Equity holders		**2 388 848**	–
– Non-controlling interests		**–**	–
Earnings and diluted earnings per share (cents)	16	**22.97**	166.24

The notes on pages 14 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Attributable to equity holders of the Company					
	Share capital R'000	Treasury share reserve R'000	Retained income R'000	Common control reserve R'000	Non-distributable reserve R'000	Total R'000
Balance at 1 July 2016	2 919 952	(9 995)	107 961	–	714 335	3 732 253
Total comprehensive income for the year	–	–	544 566	–	–	544 566
Conversion of par value shares into no par value shares/ transaction costs (capital restructure and Tsogo transaction)	(17 992)	–	–	–	–	(17 992)
Conversion of par debentures into stated capital	2 673 293	–	–	–	–	2 673 293
Dividend declared on 23 August 2016	–	–	(137 164)	–	–	(137 164)
Dividend declared on 22 September 2016	–		(13 406)	–		(13 406)
Dividend declared on 10 February 2017	–	–	(184 047)	–		(184 047)
Transfer to fair value reserve – investment property	–	–	(184 173)	–	184 173	–
Transfer to fair value reserve – interest rate swaps	–	–	4 982	–	(4 982)	–
Balance at 1 April 2017	5 575 253	(9 995)	138 719	–	893 526	6 597 503
Total comprehensive income for the year	**–**	**–**	**2 502 599**	**–**	**–**	**2 502 599**
Transaction costs (Tsogo transaction) (note 7)	**(5 256)**	**–**	**–**	**–**	**–**	**(5 256)**
Issue of no par value ordinary shares	**3 467 063**	**–**	**–**	**–**	**–**	**3 467 063**
Dividend declared on 24 May 2017	**–**	**–**	**(147 192)**	**–**	**–**	**(147 192)**
Dividend declared on 9 June 2017	**–**	**–**	**(48 312)**	**–**	**–**	**(48 312)**
Dividend declared on 22 November 2017	**–**		**(155 789)**	**–**		**(155 789)**
Common control reserve	**–**	**–**	**–**	**(1 106 013)**	**–**	**(1 106 013)**
Transfer to fair value reserve – investment property	**–**	**–**	**(1 851 288)**	**–**	**1 851 288**	**–**
Transfer to fair value reserve – interest rate swaps	**–**	**–**	**5 371**	**–**	**(5 371)**	**–**
Balance at 31 March 2018	**9 037 060**	**(9 995)**	**444 108**	**(1 106 013)**	**2 739 443**	**11 104 603**
Notes	11	11		7	12	

The notes on pages 14 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year/period ended 31 March

	Notes	12 months ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
Cash flows from operating activities			
Cash generated from operations	23	**725 127**	329 152
Finance income received	19	**27 706**	20 556
Finance costs paid	19	**(191 769)**	(136 060)
Dividends paid to shareholders		**(351 293)**	(334 617)
Net cash generated/(utilised) from operating activities		**209 771**	(120 969)
Cash flows from investment activities			
Acquisition and development of investment properties	4	**(416 873)**	(73 262)
Purchase of furniture, fittings and equipment		**–**	(153)
Proceeds from disposal of furniture, fittings and equipment		**109**	–
Proceeds from disposal of investment properties		**–**	146 872
Proceeds from disposal of non-current assets held for sale	5	**911**	–
Dividends received from associate		**–**	251
Cash acquired as part of acquisition of subsidiary	7	**202 640**	88 047
Acquisition of subsidiary	7	**(1 030 000)**	–
Net cash utilised for investment activities		**(1 243 213)**	161 755
Cash flows from financing activities			
Interest-bearing liabilities raised		**1 928 935**	600 000
Interest-bearing liabilities repaid		**(1 709 700)**	(607 000)
Cash proceeds from rights issue		**1 000 000**	–
Transaction costs	7	**(5 256)**	(17 992)
Net cash inflow/(outflow) from financing activities		**1 213 979**	(24 992)
Net increase in cash and cash equivalents		**180 537**	15 794
Cash and cash equivalents at the beginning of the year		**210 054**	194 260
Cash and cash equivalents at the end of the year	10	**390 591**	210 054

The notes on pages 14 to 45 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies

The significant accounting policies adopted in the preparation of the consolidated annual financial statements and Company annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

1.1 Basis of preparation

The consolidated annual financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ('FRSC'), the Listings Requirements of the JSE and the Companies Act of South Africa, and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies on the following pages. The term IFRS includes International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') or the former Standing Interpretations Committee ('SIC'). The standards referred to are set by the IASB.

The financial statements are presented in Rand and are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The prior year financials are for a period of nine months ending 31 March 2017 as a result of the change in year end in order to align with the year end of the group's parent entity.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group's CEO. The group's CEO reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's CEO which are used to make strategic decisions and are disclosed in note 17.

1.3 Basis of consolidation and business combinations

The consolidated financial statements include the financial statements of subsidiaries and associates owned by the Company.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the group's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called 'surplus arising on change in control'.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The acquisition of the assets acquired under common control is based on judgement and is detailed in note 2.3.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

1. Accounting policies continued

1.3 Basis of consolidation and business combinations continued

(ii) Associates

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the investee, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value and recognises the amount immediately in profit or loss.

Some of the group's associates have different local statutory accounting reference dates. These are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. Where management prepared information is at a different date from that of the group's, the group equity accounts that information but takes into account any changes in the subsequent period to 31 March that would materially affect the results.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) Goodwill

Goodwill arising on consolidation represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the group's share of separable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the respective associate and joint venture.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

1.4 Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(i) Profit or loss on disposal

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset.

1. Accounting policies continued

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

Investment property is stated at fair value net of any impairment losses. Gains or losses arising on changes in the fair value are recognised immediately in profit or loss.

Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably.

1.6 Financial instruments

Initial recognition and measurement

Financial assets are recognised when the group becomes a party to the contractual provisions of the respective arrangement. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Finance costs are charged against income in the year in which they accrue using the effective interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to finance costs over the life of the instrument.

The group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments designated as at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial assets held for trading and/or designated by the entity upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets (trade and other receivables), except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments. Cash and cash equivalents are measured at amortised cost which is equivalent to fair value.

1. Accounting policies continued

1.7 Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

1.8 Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is detailed in note 27.3.2.

1.9 Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in profit or loss.

1.10 Non-current assets held for sale

Non-current assets held for sale are those non-current assets of which the carrying amount will be recovered principally through sale rather than use. These non-current assets are available for immediate sale in their present condition, subject only to terms that are usual for the sale of such assets, and the sale is probable within a year as management is committed to a plan to dispose of the non-current assets, actively market them, and expect that these assets will be sold within a year.

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction from the proceeds.

1. Accounting policies continued

1.12 Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

1.13 Acquisition of assets under common control

Transactions in which assets or businesses are ultimately controlled by the same party before and after the transaction and where that control is not transitory, are referred to as common control transactions. Where a transaction meets the definition of a common control transaction, predecessor accounting is applied. Any costs directly attributable to the acquisition are written off to reserves.

Predecessor accounting values assets and liabilities using the existing carrying value on the effective date with no goodwill or bargain purchase price being recognised. Any excess/deficit of the purchase price, over the pre-combination recorded ultimate holding company's carrying values, is adjusted directly to equity.

1.14 Revenue recognition

a) Rental income

Revenue from the letting of investment property comprises rentals (excluding VAT) recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals, including rentals from parking income and rentals from advertising, are included in revenue when the amounts can be reliably measured.

b) Finance income

Interest earned on cash invested with financial institutions and by the Company on its investments in its subsidiaries is recognised on an accrual basis using the effective interest method.

1.15 Expenses

a) Recoveries of costs from lessees

Where the group merely acts as an agent and makes payment of these costs on behalf of lessees, these are offset against the relevant costs.

b) Finance costs

Finance costs are costs incurred on funds borrowed. These are expensed in the period in which they are incurred using the effective interest method.

1. Accounting policies continued

1.16 Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination, where the initial recognition affects neither accounting nor taxable profit or loss and on differences relating to investments in subsidiaries, associates and joint ventures to the extent that the parent company is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable group, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In respect of REIT assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains and losses from property sold by a REIT are disregarded and the rate relevant to recoupments is 28%. Investment properties are held as long-term income generating assets. Therefore, should any property no longer meet the Company's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

In respect of other assets and liabilities, deferred tax is provided based on the expected manner of realisation or settlement taking into account the entities expectation that it will pay dividends and will receive a tax deduction making it in substance exempt.

1.17 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the Company's board of directors.

1.18 Employee benefits

Short-term employee benefits are recognised in the period in which they are incurred.

Long-term benefits, which have been recently implemented, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the parent entity's share price. This is adjusted for management's best estimate of the appreciation, bonus and performance units expected to vest and management's best estimate of the performance criteria assumption on the performance units.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Principles of critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2.1 Classification of investment properties

Investment properties include land and buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

In determining the classification of the properties as investment properties, management considered its exposure to the risks of running the hotel business and their associated exposure to the variability of the cash flows of the underlying operations. Management took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor.
- The duration of the lease agreements.
- Control over the decision-making powers of the relevant hotel operations.
- The present value of the minimum lease payments in relation to the fair value of the investment properties.
- Various financial ratios to determine its exposure to the variability of the hotel operations.

Based on the above, management concluded that the properties meet the definition of investment property.

2.2 Valuations of investment properties

The group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which premiums are added for market risk and equity and debts costs. The discount rate takes into account a risk premium associated with the local economy.

2.3 Acquisition of assets under common control

Hospitality concluded an agreement with Tsogo Sun to acquire 100% of the share capital in the Cullinan Hotel Proprietary Limited ('Cullinan') and Merway Fifth Investments Proprietary Limited ('Merway') effective 1 July 2017. The acquisition of the portfolio includes 29 investment properties for an aggregate purchase consideration of R3.6 billion, which includes a cash consideration of R1.03 billion and the issue of 174 064 861 shares at R14.00 each. The transaction is deemed to be a transaction under common control and consequently falls outside the scope of IFRS 3 *Business combinations*. The Fund will apply the same accounting policy relating to common control transactions applied by Tsogo Sun, its parent shareholder. The policy is to apply predecessor accounting in common control transactions. The acquisition of Merway and Cullinan is noted in note 7 of the group annual financial statements.

Under the predecessor accounting method, assets and liabilities acquired are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity.

The fair value gain on the assets acquired has been recognised as other comprehensive income as the uplift does not represent financial performance of the current period.

3. New standards and interpretations

3.1 Standards and interpretations not yet effective

a) The following standards and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2018 or later periods, which the group has not early adopted.

New and amended standard	Summary	Impact to the group
IFRS 16 *Leases* The group will apply IFRS 16 from 1 April 2019.	The standard introduces a single lease accounting model and requires a lessee to recognise a right to use asset and corresponding liability for all leases. The impact on lessors is not expected to be significant.	The group considered the impact of IFRS 16 to be immaterial.
IFRS 9 *Financial instruments* The group will apply IFRS 9 from 1 April 2018.	This standard introduces new requirements for the classification and measurement of financial assets. The standard also contains a new impairment model which will result in earlier recognition of losses. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. The amendments also align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.	It is expected that the provision for impairment will increase due to the inclusion of forward looking information. The impact of this is not expected to be material.
IFRS 15 *Revenue from contracts with customers* The group will apply IFRS 15 from 1 April 2018.	IFRS 15 replaces the existing IFRS guidance and introduces a new revenue recognition model for contracts with customers. It also requires extensive new disclosures.	The group considered the impact of IFRS 15 to be immaterial.
IAS 40 *Investment property* The group will apply IAS 40 from 1 April 2018.	These amendments clarify that, to transfer to or from investment properties, there must be a change in use. To conclude, if a property has changed use, there should be an assessment of whether the property meets the definition. This change must be supported by evidence.	The group considered the impact of the amendments to be immaterial.

b) No new interpretations are currently issued and are therefore not effective.

	2018 R'000	2017 R'000
4. Investment properties		
Reconciliation of investment property		
Opening fair value amount	**8 061 038**	5 169 000
Acquisitions, capital expenditure and development of investment properties[1]	**447 028**	73 262
Acquisition of subsidiaries (note 7)	**2 172 892**	2 657 717
Disposal of investment property	**–**	(107 639)
Transfer of investment property	**–**	63 365
Fair value adjustments recognised through profit or loss	**(536 252)**	205 333
Fair value adjustments recognised through other comprehensive income	**2 388 848**	
Straight-line rental income accrual	**416**	–
Closing fair value amount	**12 533 970**	8 061 038

[1] *The current year includes the acquisition of the additional sections in the Sandton Eye Sectional Title Scheme of R301.550 million, of which R30.155 million was settled in shares.*

The investment property portfolio serves as collateral against loans from funding banks and secured notes, as held by the Fund. Refer to note 13.

Acquisitions of subsidiaries comprised the acquisition of 29 hotel properties from Tsogo Sun. Refer to note 7.

Measurement of fair value

Investment properties were independently valued at 31 March 2018. The valuation of the portfolio was performed by B Nyagah, Professional Associate Valuer, from JHI Properties Proprietary Limited. The valuations have been done on an annual basis on the entire portfolio of investment properties.

The fair value of the investment properties has been categorised as a level 3 fair value based on the unobservable inputs to the valuation technique used as detailed below.

As at 31 March 2018, the significant unobservable inputs were as follows:
- A weighted average rental growth rate of 5.0% (2017: 5.5%).
- A terminal capitalisation rate of between 7.23% – 8.07% (2017: 7.26%).
- A risk adjusted discount rate of between 12.23% – 13.07% (2017: 12.76%).

The group measures investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which is added premiums for market risk, equity and debts costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry.

The table below indicates the sensitivities of the aggregate investment property portfolio by increasing or decreasing value inputs as follows:

	2018		2017	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
5% change in the net cash flows	**623**	**(623)**	402	(402)
25bps change in the terminal capitalisation rate	**(292)**	**312**	(199)	162
50bps change in the discount rate	**(811)**	**927**	(301)	279

	2018 R'000	2017 R'000
5. Non-current assets held for sale		
Opening fair value amount	**65 610**	129 491
Capitalised expenditure	**2 209**	151
Fair value adjustment*	**(1 307)**	(21 160)
Transfer of assets held for sale to investment properties	**–**	(41 000)
Disposals	**(911)**	(1 872)
Closing net carrying amount	**65 600**	65 610

** Fair value adjustment included as part of 'fair value adjustment' in profit or loss which is transferred to the fair value reserve.*

Non-current assets held for sale consists of the Kopanong Hotel and Conference Centre property which consists of a country estate with 57 chalets and conference facilities. These are measured at fair value through profit or loss in line with the accounting policy of investment property. During the year under review, one chalet was sold and management intends to sell the remaining chalets. It is highly probable that the property will be disposed of in the next 12 months as a result of the strategic decision to reinvest capital into higher yielding assets in key nodes that boast a strong trading outlook in the medium to long term. The property is valued as a whole and chalets are not individually valued. The fair value of non-current assets held for sale was kept consistent with the prior year.

	2018 R'000	2017 R'000
6. Furniture, fittings and equipment		
Cost		
Balance at beginning of year	**2 531**	2 378
Acquisition during the year	**164**	153
Disposal during the year	**(109)**	–
Balance at end of year	**2 586**	2 531
Depreciation and impairment losses		
Balance at beginning of year	**2 333**	2 198
Depreciation for year	**90**	135
Balance at end of year	**2 423**	2 333
Carrying amount		
Balance at beginning of year	**198**	180
Balance at end of year	**163**	198

7. Common control acquisition

Acquisition of properties from Southern Sun Hotels Proprietary Limited

Hospitality concluded an agreement with Tsogo Sun to acquire 100% of the share capital in the Cullinan Hotel Proprietary Limited and Merway Fifth Investments Proprietary Limited effective 1 July 2017. The acquisition of the portfolio includes 29 investment properties for an aggregate purchase consideration of R3.6 billion, which includes a cash consideration of R1.03 billion and the issue of 174 064 861 shares at R14.00 each.

The transaction is deemed to be a transaction under common control and consequently falls outside the scope of IFRS 3 *Business combinations*. Hospitality will apply the same accounting policy relating to common control transactions applied by Tsogo Sun, its holding company. The policy is to apply predecessor accounting in common control transactions. Under the predecessor accounting method, assets and liabilities acquired are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a 'common control' reserve.

The amounts disclosed in this note differ from the information disclosed at half year due to the accounting having since been finalised.

The judgement applied to recognise the at acquisition fair value gain is disclosed in the significant judgement section of the financial statements (refer to note 2.3).

	2018 R'000
Investment properties	2 172 892
Other current assets	51 967
Cash and cash equivalents	202 640
Other current liabilities	(66 604)
Total identifiable net assets	**2 360 895**
	2 360 895
Less: Purchase consideration	3 466 908
– Consideration in the form of shares to Tsogo Sun	2 436 908
– Consideration in the form of cash payable	1 030 000
Common control reserve arising on transaction	(1 106 013)
Net cash flow	
Cash consideration to acquire subsidiaries	(1 030 000)
Add: Cash balances acquired with subsidiaries	202 640
Net outflow of cash	**(827 360)**

Acquisition-related costs

Transaction costs of R7.2 million were incurred with respect to the rights issue, of which R5.3 million was incremental and directly attributable to the issue of share and R1.9 million was expensed.

8. Investments in associates

The group has the following interests in its principal associates:

Unlisted

- 15% in Ash Brook Investments 72 Proprietary Limited, a strategic partner and associate to the Company, as it leases the Radisson Blu Gautrain property from HPF.
- 5% in Vexicure Proprietary Limited, a strategic partner and associate to the Company, as it leases the Westin Cape Town property from HPF.

	2018 R'000	9 months ended 2017 R'000
Unlisted		
Opening balance	**477**	318
Profit attributable to HPF Properties Proprietary Limited	**274**	409
Dividends received	**–**	(251)
At 31 March	**751**	477
Made up as follows:		
Listed	**–**	–
Unlisted	**751**	477
	751	477

Vexicure Proprietary Limited

Vexicure is a strategic partner and associate to the Company, as it leases the Westin Hotel property and contributed 15.2% (2017: 28.7%) to the rental income. The Company is represented by two (in terms of the shareholders' agreement) of the five directors of Vexicure's board of directors and therefore exercises significant influence.

Summarised financial information of material associates

	2018 R'000	2017 R'000
Summary of Vexicure statement of financial position which represents 100%		
Assets		
Non-current assets	**–**	–
Current assets	**118 384**	63 123
Total assets	**118 384**	63 123
Equity and liabilities		
Capital and reserves	**10 784**	8 339
Non-current liabilities	**106**	106
Current liabilities	**101 994**	54 678
Total equities and liabilities	**112 884**	63 123

Notes to the consolidated financial statements continued

	2018 R'000	2017 R'000
8. Investments in associates continued		
Summarised financial information of material associates continued		
Summary of Vexicure statement of comprehensive income which represents 100%		
Gross profit	**258 135**	254 929
Total operating expenditure	**(121 040)**	(122 900)
Rental to HPF Properties Proprietary Limited	**(131 815)**	(123 893)
Taxation	**(2 835)**	(2 278)
Profit and total comprehensive income for the year	**2 445**	5 858
Profit attributable to the group	**122**	409
Ash Brook Investments 72 Proprietary Limited		
Opening balance	**115**	–
Profit attributable to HPF Properties Proprietary Limited	**152**	115
	267	115

Ash Brook is a strategic partner and associate to the Fund, as it leases the Radisson Blu Gautrain property from HPF Properties Proprietary Limited and contributes significantly to the consolidated rental income. The Fund is represented by two (in terms of the shareholders' agreement) of the four directors of its board of directors and therefore exercises significant influence. The majority shareholder holds the casting vote in a general meeting.

	2018 R'000	2017 R'000
Summary of Ash Brook statement of financial position which represents 100%		
Assets		
Non-current assets	**424**	424
Current assets	**37 181**	37 503
Total assets	**37 605**	37 927
Equity and liabilities		
Capital and reserves	**1 000**	375
Non-current liabilities	**9 933**	13 244
Current liabilities	**26 672**	24 308
Total equities and liabilities	**37 605**	37 927
Summary of Ash Brook statement of comprehensive income which represents 100%		
Gross profit	**106 120**	84 288
Total operating expenditure	**(72 120)**	(54 218)
Rental to HPF Properties Proprietary Limited	**(32 737)**	(28 988)
Taxation	**(246)**	(317)
Profit and total comprehensive income for the year	**1 016**	765
Profit attributable to the group	**152**	115

	2018 R'000
8. Investments in associates continued	
Vexicure Proprietary Limited	
Reconciliation to carrying amounts	
Opening net assets 1 April 2017	**8 339**
Profit for the period	**2 445**
Closing net assets	**10 784**
Group's share in percentage (%)	**5**
Group's share in associate	**539**
Goodwill	**–**
Carrying amount	**539**
Ash Brook Investments 72 Proprietary Limited	
Reconciliation to carrying amounts	
Opening net assets 1 April 2017	**375**
Profit for the period	**1 016**
Tax adjustment	**(391)**
Closing net assets	**1 000**
Group's share in percentage (%)	**15**
Group's share in associate	**150**
Goodwill	**–**
Carrying amount	**150**

	2018 R'000	2017 R'000
9. Trade and other receivables		
Financial instruments		
Trade receivables	**78 657**	62 126
Prepayments	**1 521**	407
Sundry debtors	**177**	3 223
Operator loans	**14 092**	19 137
Income tax receivables	**13 552**	9 968
Deposits	**378**	–
Other receivables	**19 224**	20 675
VAT receivable	**6 315**	–
	133 915	115 536
Refer to note 27.3.2 for an analysis of the ageing.		
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Current accounts	**18 096**	21 201
Call accounts	**372 495**	188 853
	390 591	210 054

The Company has an unutilised revolving credit facility of R500 million with Standard Bank. Excess funds are deposited with Tsogo Sun treasury, as the interest income is earned at a rate of 7.5% (2017: 8.0%) as opposed to 6.0% in a money market account.

11. Share capital

Provision for shareholders' redemption

The provision relates to the dissenting shareholders' appraisal rights. The board determined a fair value of R2.90 per appraisal share, which amounts to a total fair value of R24 million. In terms of section 164(14)(b) of the Companies Act, the dissenting shareholders have applied to the court to determine a fair value. The provision is payable on demand.

Rights offer

A fully committed rights offer to raise R1.0 billion closed successfully on 4 August 2017, through the issue of 71 428 571 new Hospitality shares at an issue price of R14.00 each, in the ratio of 21.76820 new Hospitality shares for every 100 Hospitality shares held.

Cullinan and Merway acquisition

Hospitality concluded an agreement with Tsogo Sun to acquire 100% of the share capital in the Cullinan Hotel Proprietary Limited ('Cullinan') and Merway Fifth Investments Proprietary Limited ('Merway') effective 1 July 2017. The acquisition of the portfolio includes 29 investment properties for an aggregate purchase consideration of R3.6 billion which includes a cash consideration of R1.03 billion and the issue of 174 064 861 shares at R14.00 each (note 7). The impact of this transaction is that Tsogo Sun's effective holding increased from 50.6% to 59.4% prior to the Sandton Eye Sectional Title Scheme acquisition.

Savana acquisition

On 31 August 2017, HPF issued 2 150 856 shares to Savana Property Proprietary Limited as part settlement in terms of an agreement concluded with Savana to acquire various sections and exclusive use areas of the Sandton Eye Sectional Title Scheme and an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing real right of extension (note 4). As a result of this, Tsogo Sun's effective holding was diluted from 59.4% to 59.2%.

	2018 R'000	2017 R'000
Authorised		
2 000 000 000 shares of no par value		
The unissued shares are under the control of the directors of the Company subject to the provisions of the Companies Act.		
Issued		
578 154 207 shares of no par value (2017: 330 509 919)	**9 027 065**	5 565 258
Number of shares/units		
No par value ordinary shares	**575 214 177**	327 569 889
– Shares in issue	**578 154 207**	330 509 919
– HPF Employee Incentive Trust shares	**(562 774)**	(562 774)
– Shareholders' redemption	**(2 377 256)**	(2 377 256)
Weighted average number of shares		
No par value ordinary shares	**495 203 569**	327 569 889
– Shares in issue	**498 143 599**	330 509 919
– HPF Employee Incentive Trust shares	**(562 774)**	(562 774)
– Shareholders' redemption	**(2 377 256)**	(2 377 256)
Distribution per share (cents)		
No par value share	**120.29**	105.09
– Interim	**41.83**	60.17
– Final	**78.46**	44.92

12. Non-distributable reserve

	2018 R'000	2017 R'000
Fair valuation of investment properties	**470 620**	1 008 181
Fair valuation of interest rate swap	**(120 025)**	(114 655)
Fair value uplift recognised as part of the common control transaction	**2 388 848**	–
	2 739 443	893 526

		2018 R'000	2017 R'000
13. Interest-bearing liabilities			
Non-current			
Nedbank Limited			
– Loan 1 – expiry: June 2020	3-month JIBAR +2.67%	**–**	176 300
– Loan 2 – expiry: November 2019	3-month JIBAR +2.80%	**–**	346 070
– Loan 3 – expiry: November 2018	3-month JIBAR +2.85%	**–**	30 250
– Loan 7 – expiry: September 2018	3-month JIBAR +2.38%	**–**	35 248
– Loan 8 – expiry: August 2018 (revolving)	3-month JIBAR +2.75%	**–**	14 995
– Loan 9 – expiry: April 2019	3-month JIBAR +2.78%	**–**	2 200
		–	605 063
Domestic medium-term note programme			
– Secured note HPF06 – expiry: February 2020	3-month JIBAR +2.80%	**60 000**	60 000
– Unsecured note HPF08 – expiry: April 2019	3-month JIBAR +3.00%	**80 000**	80 000
– Secured note HPF09 – expiry: April 2019	3-month JIBAR +2.25%	**150 000**	150 000
– Secured note HPF10 – expiry: February 2018 (with an option to extend to February 2021)	3-month JIBAR +1.20%	**–**	600 000
– Secured note HPF11 – expiry: March 2023	3-month JIBAR +1.95%	**600 000**	–
		890 000	890 000
Standard Bank			
– Facility A	3-month JIBAR +1.78%	**550 000**	–
– Facility B	3-month JIBAR +1.98%	**500 000**	–
– Facility C (revolving credit facility of R500 million)[1]	3-month JIBAR +1.60%	**–**	–
		1 050 000	–
Total non-current interest-bearing liabilities		**1 940 000**	1 495 063
Current			
Domestic medium-term note programme			
– Secured note HPF07 – expiry: August 2017	3-month JIBAR +2.25%	**–**	80 000
– Loan 4 – expiry: February 2018	3-month JIBAR +2.38%	**–**	150 000
Total current interest-bearing liabilities		**–**	230 000
Debt raising fee		**(3 929)**	(6 570)
Total interest-bearing liabilities		**1 936 071**	1 718 493
Total interest-bearing liabilities payable in the following annual financial years:			
31 March 2018		**–**	230 000
31 March 2019		**–**	80 493
31 March 2020		**290 000**	814 570
31 March 2022		**1 050 000**	–
31 March 2023		**600 000**	–
		1 940 000	1 125 063

[1] *Facility not yet utilised.*

13. Interest-bearing liabilities continued

During the current financial year, the Company restructured its long-term borrowings with its existing funders due to substantially more favourable terms being achieved, even after the early settlement fees on the existing loans. The former loans were settled on 6 October 2017.

The group's bank facilities of R1.6 billion and the total drawn down facilities of R1.1 billion are secured in terms of a first mortgage bond over investment properties values at R9.3 billion.

The current limit of the borrowing powers in terms of the JSE Listings Requirements amounts to R5.6 billion (2017: R3.2 billion), of which R1.94 billion (2017: R1.73 billion) has been utilised.

Included as part of trade and other payables (note 14) is interest accrued of R12 million (2017: R19 million) relating to the abovementioned interest-bearing liabilities.

The unamortised portion of the debt raising fee amounted to R3.9 million (2017: R6.6 million).

Loan to value ('LTV')

The LTV as at 31 March 2018 is required to be 40% (2017: 40%) or lower.

As at 31 March 2018, the group's LTV was 15% (2017: 21%).

Interest cover ratio ('ICR')

The ICR requirement for the year ended 31 March 2018 is a minimum of 2.0 times.

For the year ended 31 March 2018, the group ICR cover was 5.0 times (2017: 4.0 times).

Net debt reconciliation

This section sets out an analysis of the net debt and movements in debt for each of the periods presented. The reconciliation is a new requirement based on the IAS 7 cash flow disclosure initiative and is produced for the first time in the current year.

	Other assets	
	Cash	Borrowing due after 1 year
Net debt as at 31 March 2017	210 054	1 725 063
Cash received	180 537	1 928 935
Cash paid	–	(1 708 700)
Other non-cash movements (capitalised prepaid borrowing costs)	–	(4 298)
Net debt as at 31 March 2018	**390 591**	**1 940 000**

	2018 R'000	2017 R'000
14. Trade and other payables		
Trade payables	**9 477**	33 146
VAT	**–**	8 631
Accrued interest	**11 690**	19 000
Tenant deposits	**2 049**	18 936
Operator loans	**14 505**	27 641
Other payables	**14 197**	4 522
	51 919	111 876

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
15. Revenue		
Rental income	**856 382**	496 949
Other revenue	**10 535**	1 854
	866 917	498 803
16. Reconciliation between earnings and headline earnings		
Total profit for the year	**113 751**	544 566
Adjustments:		
Profit on sale of investment properties	**–**	(36 528)
Profit on sale of furniture, fittings and equipment	**(109)**	–
Goodwill impairment	**–**	16 003
Fair value – investment properties revaluation	**537 560**	(184 173)
Straight-line adjustment	**(416)**	–
Headline earnings (shares/linked units)	**650 786**	339 868
Number of shares in issue ('000)	**578 154**	327 570
Weighted average number of shares in issue ('000)	**495 204**	327 570
Earnings and diluted earnings per share (cents)	**22.97**	166.24
Headline earnings and diluted headline earnings per share (cents)	**131.42**	103.75

17. Operating segments

Information regarding the results of each reportable segment is included below. Performance is measured based on operating profit before finance costs, as included in the internal management reports that are reviewed by the group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Intersegment pricing is determined on an arm's length basis.

Performance is measured based on operating profit before finance costs, as included in the internal management reports that are reviewed by the group's CEO. Geographical segments are used to measure performance as the group's CEO believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries, particularly post the acquisition of the additional hotel properties during the year.

	2018 R'000	2017 R'000
Total assets		
Western Cape	**5 860 680**	3 436 999
Gauteng	**3 330 214**	2 532 780
Rest of South Africa	**2 474 430**	2 156 867
SUN1 Hotels	**933 830**	–
Head office	**525 836**	328 417
	13 124 990	8 455 063
Rental revenue		
Western Cape	**368 587**	238 487
Gauteng	**259 774**	149 697
Rest of South Africa	**186 693**	110 619
SUN1 Hotels	**51 863**	–
	866 917	498 803
Operating profit for the period		
Western Cape	**368 587**	238 487
Gauteng	**259 774**	149 697
Rest of South Africa	**186 693**	110 619
SUN1 Hotels	**51 863**	–
Head office	**(46 555)**	(38 858)
	820 362	459 945
Reconciliation of headline earnings to distributable earnings		
Headline earnings (shares/linked units)	**650 787**	339 868
Fair value – interest rate swaps	**5 371**	4 982
Distributable earnings	**656 158**	344 850

Please refer to note 22 on dividends declared in the period and note 27.3, where the percentage of revenue from the group's largest customer is disclosed.

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
18. Operating profit/(loss)		
Operating profit is stated after charging the following:		
Auditor's remuneration – external	**2 920**	2 146
– Audit fees	**2 016**	1 321
– Audit fee – prior year extended audit scope	**544**	443
– Non-audit-related fees	**360**	382
Auditor's remuneration – internal	**888**	–
Management fee paid	**312**	138
Executive directors' and employee remuneration	**15 492**	11 590
Employee termination costs	**–**	7 627
Non-executive directors' remuneration	**3 523**	2 287
Legal fees	**1 792**	3 402
Cost to income ratio[1]		
Total revenue	**866 917**	498 803
Total head office costs	**46 555**	38 858
Percentage of revenue (%)	**5.37**	7.79

[1] *The cost to income ratio has been disclosed in accordance with the accepted REIT best practice. This ratio is not directly comparable to other REITs as the property-related expenditure is paid by the tenant in most instances.*

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
19. Net finance costs		
Finance income		
Bank and other cash	**27 706**	20 556
Finance costs		
Interest-bearing liabilities	**(191 769)**	(136 060)
Net finance costs	**(164 063)**	(115 504)
20. Other non-operating gains/(losses)		
Gains on disposal of		
Investment property	**–**	36 528
Furniture, fittings and equipment	**109**	–
Fair value (losses)/gains	**(537 560)**	184 173
– Investment property	**(536 253)**	205 333
– Non-current assets held for sale	**(1 307)**	(21 160)
Derivatives	**(5 371)**	(4 982)
	(542 931)	179 191
Total other non-operating (losses)/gains	**(542 822)**	215 719

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
21. Reconciliation of taxation expense		
Profit before tax	**31 774**	152 364
Straight-lining adjustment	**(116)**	–
Profit on sale of furniture, fittings and equipment	**(31)**	(10 228)
Equity-accounted profit from associate	**77**	115
Fair valuation of investment property	**150 517**	(51 568)
Fair valuation of swaps	**1 504**	1 395
Goodwill impairment	**–**	4 481
Dividend (qualifying distribution)	**(183 724)**	(96 558)
Tax expense	**–**	–

The group has no liability for normal taxation as all profits are paid out as a dividend (qualifying distribution) and shareholders/linked unitholders are consequently subject to tax according to the individual linked unitholder's tax status.

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
22. Dividends declared		
Final dividend	**147 398**	137 164
Clean out dividend	**48 380**	13 406
Interim dividend	**156 006**	184 047
	351 783	334 617
Final dividend declared on	**24 May 2017**	23 August 2016
Final dividend paid on	**19 June 2017**	19 September 2016
Final dividend cents per share	**44.93 cents**	73.94 cents
Clean out dividend declared on	**9 June 2017**	22 September 2016
Clean out dividend paid on	**10 July 2017**	10 October 2016
Clean out dividend cents per share	**14.74 cents**	7.23 cents
Interim dividend declared on	**22 November 2017**	10 February 2017
Interim dividend paid on	**18 December 2017**	4 March 2017
Interim dividend cents per share	**27.09 cents**	56.09 cents

	Year ended 31 March 2018 R'000	9 months ended 31 March 2017 R'000
23. Cash generated from operations		
Profit before tax	**113 751**	544 157
Adjustments for:		
Amortisation and depreciation	**90**	135
Loss/(profit) on disposals of investment properties	**(109)**	(36 528)
Loss on disposal of furniture, fittings and equipment	**–**	–
Straight-lining accrual of rent	**(416)**	–
Interest income	**(27 706)**	(20 556)
Finance costs	**191 769**	136 060
Fair value gains	**542 931**	(179 191)
Goodwill impairment	**–**	16 003
Changes in working capital		
Acquired through the acquisition of a subsidiary, excluding cash	**(14 638)**	(88 474)
Trade and other receivables	**(18 739)**	(58 627)
Capital expenditure/receipts on property held for trading	**(2 209)**	(151)
Trade and other payables	**(59 957)**	16 324
	725 127	329 152

24. Commitments

The board has committed a total of R236 million for maintenance and expansion capital items at its hotel properties of which R236 million is anticipated to be spent during the next financial year. In total, R26 million of the committed capital expenditure has been contracted for.

25. Related parties

Hosken Consolidated Investments Limited	Ultimate holding company
Tsogo Sun Holdings Limited	Majority shareholder
Southern Sun Hotels Proprietary Limited	Holding company
HPF Properties Proprietary Limited	100% subsidiary
HPF Management Proprietary Limited	100% subsidiary
Hospitality Property Fund Managers Proprietary Limited	100% subsidiary
Hosbrook Ventures Proprietary Limited	100% subsidiary
NIB 35 Proprietary Limited	100% subsidiary
Fezisource Proprietary Limited	100% subsidiary
Merway Fifth Investments Proprietary Limited	100% subsidiary
The Cullinan Hotel Proprietary Limited	100% subsidiary
HPF Employee Incentive Trust	Key staff benefit structure pre-2015
Sandton Eye Sectional Title Scheme	81.54% of the participation quota

Vexicure is a subsidiary of Pan-African Capital Holdings Proprietary Limited (80% held), of which ZN Kubukeli is a director. HPF Properties Proprietary Limited owns a 5% shareholding in the Company. MR de Lima, KG Randall as well as ZN Kubukeli are directors of Vexicure. Vexicure leases the Westin Cape Town Hotel from the group. Vexicure is accounted for as an associate entity.	Vexicure Proprietary Limited
HPF Properties Proprietary Limited owns 15% of Ash Brook, and both KG Randall and MR de Lima are directors of Ash Brook. The Company is accounted for as an associate entity. Ash Brook leases the Radisson Blu Gautrain Hotel from HPF Properties.	Ash Brook Investments 72 Proprietary Limited
The HPF Employee Incentive Trust is a separate legal entity, which owns B shares in Hospitality Property Fund Limited. DG Bowden, GA Nelson and R Erasmus are trustees of the trust.	HPF Employee Incentive Trust
HPF Properties Proprietary Limited leases the Crowne Plaza Rosebank and the Holiday Inn Sandton to Majormatic 194 Proprietary Limited which is a subsidiary of Southern Sun Hotels Proprietary Limited.	Majormatic 194 Proprietary Limited
Fezisource Proprietary Limited, Merway Fifth Investments Proprietary Limited and The Cullinan Hotel Proprietary Limited lease property to Reshub Proprietary Limited which is a subsidiary of Southern Sun Hotels Proprietary Limited.	Reshub Proprietary Limited

	2018 R'000	2017 R'000
Related party transactions and balances		
Associates		
Vexicure Proprietary Limited		
Rental received	**131 815**	120 548
Trade and other receivables	**–**	13 234
Trade and other payables	**5 626**	19 259
Tenant deposit and guarantee held as security on leases	**2 893**	2 893
Ash Brook Investments 72 Proprietary Limited		
Rental received	**32 737**	29 621
Trade and other receivables	**6 494**	17 643
Tenant deposit and guarantee held as security on leases	**1 746**	1 746

In 2017, Tsogo Sun acquired a controlling stake in the Fund, through the injection of hotel assets from Fezisource such that the issue of shares to Tsogo Sun resulted in Tsogo Sun owning 50.6% of the shares.

In the current period, HPF acquired two subsidiaries from Southern Sun Hotels which in aggregate holds a portfolio of 29 hotel properties. The impact of this transaction is that Tsogo Sun's effective holding increased from 50.6% to 59.4% prior to the Sandton Eye Sectional Title Scheme acquisition. With effect from 31 August 2017, HPF issued the last tranche of 2 150 856 shares to Savana Property Proprietary Limited as part settlement in terms of an agreement concluded with Savana to acquire various sections and exclusive use areas of the Sandton Eye Sectional Title Scheme and an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing real right of extension. As a result of this issue, Tsogo Sun's effective holding was diluted from 59.4% to 59.2%.

	2018 R'000	2017 R'000

25. Related parties continued

Related party transactions and balances continued

	2018 R'000	2017 R'000
Reshub Proprietary Limited		
Rental received	**420 256**	122 089
Trade and other receivables	**42 433**	22 244
Majormatic 194 Proprietary Limited		
Rental received	**44 416**	36 333
Trade and other receivables	**203**	1 479

26. Directors' emoluments

	Salaries R'000	Benefits R'000	Bonus R'000	Share incentive scheme R'000	Total R'000
Executive					
2018					
KG Randall (CEO)	**2 479**	**291**	**449**	**1 198**	**4 417**
MR de Lima (FD)	**1 514**	**403**	**323**	**244**	**2 484**
	3 993	**694**	**772**	**1 442**	**6 901**

	Salaries R'000	Bonus R'000	Termination costs R'000	Total R'000
2017				
KG Randall (CEO)	650	165	–	815
MR de Lima (FD)	900	395	–	1 295
VM Joyner (previous CEO)	1 425	569	5 787	7 781
R Erasmus[1] (previous acting CFO)	730	115	–	845
	3 705	1 244	5 787	10 736

[1] *Prescribed officer.*

	Directors' fees R'000	Consulting fees R'000	Total R'000
Non-executive			
2018			
JA Copelyn	**378**	**–**	**378**
L de Beer*	**348**	**–**	**348**
DG Bowden	**355**	**–**	**355**
ZN Malinga	**352**	**–**	**352**
SA Halliday	**338**	**–**	**338**
GA Nelson	**296**	**–**	**296**
ZN Kubukeli	**307**	**–**	**307**
WC Ross*	**121**	**–**	**121**
MN von Aulock*	**127**	**–**	**127**
J Booysen	**134**		**134**
L McDonald	**242**	**–**	**242**
ZJ Kganyago	**242**	**–**	**242**
JR Nicolella	**242**	**–**	**242**
RB Huddy	**41**	**–**	**41**
	3 523	**–**	**3 523**

* *Resigned prior to 31 March 2018.*

Fees are exclusive of VAT.

26. Directors' emoluments continued

	Directors' fees R'000	Consulting fees R'000	Total R'000
2017			
JA Copelyn	142	–	142
L de Beer	293	–	293
DG Bowden	283	–	283
ZN Malinga	238	–	238
SA Halliday	238	–	238
GA Nelson	230	177	407
ZN Kubukeli	219	–	219
WC Ross	192	–	192
MN von Aulock	113	–	113
L McDonald	113	–	113
ZJ Kganyago	113	–	113
JR Nicolella	113	–	113
	2 290	177	2 467

Payments to directors borne by group companies

	Salaries R'000	Benefits R'000	Bonus R'000	Share incentive scheme R'000	Total R'000
2018					
MN von Aulock	**4 083**	**26 680**	**3 456**	**12 357**	**46 575**
J Booysen	**4 933**	**572**	**–**	**–**	**5 505**
L McDonald	**1 543**	**402**	**551**	**836**	**3 332**
ZJ Kganyago	**2 303**	**292**	**667**	**900**	**4 162**
2017					
MN von Aulock	3 774	338	–	–	4 112
L McDonald	825	159	–	149	1 133
ZJ Kganyago	1 035	645	–	–	1 680

26.1 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan

The Tsogo Sun Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the parent company's share price. Participants under this bonus appreciation plan are not entitled to take up shares or options. Allocations vest in full three years after date of allocation.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day volume weighted average trading price of the parent company's share prior to the determination of the fair value of the long-term incentive bonus. The following is pertinent to this bonus plan:

	2018	2017
Average share price utilised to value the liability (R)	**25.50**	28.00
Number of appreciation units granted and outstanding ('000)	**987**	746
Number of appreciation units vested and outstanding ('000)	**653**	522

The group recognised an expense of R0.3 million (2017: R0.3 million) related to this bonus appreciation plan during the year and at 31 March 2018, the group had recorded liabilities of R2.0 million (2017: Rnil) in respect of this plan. The current portion of this liability is R0.5 million (2017: Rnil).

	2018 R'000	2017 R'000

26. Directors' emoluments continued

26.2 Total long-term incentive liabilities

	2018 R'000	2017 R'000
Opening balance	**266**	–
Balance transferred from Tsogo Sun	**3 502**	–
Charge to P&L	**(343)**	266
Cash-settled, share-based, long-term incentive plan	**(1 441)**	–
	1 985	266
Less: Current portion	**502**	–
Non-current portion	**1 483**	266

27. Financial risk management and further financial instrument disclosures

Financial instruments consist mainly of deposits with banks, loans to the subsidiary companies, trade and other receivables, loans from banks, debentures, debenture interest payable, trade and other payables and interest rate swaps. Exposure to interest rate, liquidity and credit risks arises in the normal course of business.

Treasury policy

The group enters into derivative transactions such as interest rate swaps in order to help manage the financial risks arising from the group's activities as required by debt providers. The main risks arising from the entity's financing structure are market risk (in the form of interest rate risk) and liquidity risk. The policies for managing each of these risks and the principal effect of these policies on the results for the year are summarised below.

27.1 Interest rate risk

Management continuously monitors the group's exposure to interest rate volatility and determines the interest rate policy in this regard. Short-term debtors and creditors are not exposed to interest rate risk. As a consequence, the entity is exposed to market risk in respect of the fair value of its fixed rate financial instruments and cash flow risk in respect of variable rate financial instruments.

The group's debt carries both fixed and floating interest rates; however, the group's current policy is to keep 60% to 70% of its borrowings on a fixed basis. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure. Sixty-eight percent of borrowings are currently fixed through the use of swaps. The interest rate swaps are not designated as cash flow hedges for accounting purposes and thus any changes to the interest rate at the date of reporting would affect profit or loss but, as these gains or losses are not available for distribution, they would be transferred to a fair value reserve.

The interest rate exposure of the group to interest-bearing financial instruments is as follows:

	Nominal value Group	
	2018 R'000	2017 R'000
Variable rate instrument		
Financial liabilities[1]	**(1 936 071)**	(1 718 493)
	(1 936 071)	(1 718 493)
Effect of interest rate swaps	**1 050 000**	1 096 000
	(886 071)	622 493

[1] *Prepaid debt raising fees of R3.9 million (2017: R6.5 million) have been included.*

27. Financial risk management and further financial instrument disclosures continued

27.1 Interest rate risk continued

At the reporting date, the following interest rate swap agreements were in place:

	Nominal rate	Commencement date	Maturity	Nominal value R'000	Fair value at 31 March 2018 R'000	Fair value at 31 March 2017 R'000
Nedbank Limited – swap 3	7.05%	Sep 2014	Sep 2017	100 000	**–**	140
Nedbank Limited – swap 4	7.60%	Oct 2016	Oct 2017	300 000	**–**	(548)
Rand Merchant Bank – swap 3	7.05%	Sep 2014	Sep 2017	100 000	**–**	141
Rand Merchant Bank – swap 4	6.78%	Jul 2016	Feb 2018	346 667	**–**	1 870
Rand Merchant Bank – swap 5	7.88%	Feb 2016	Feb 2019	250 000	**(2 241)**	(2 514)
ABSA Limited – swap 1	7.24%	Aug 2017	Jun 2022	500 000	**(3 775)**	–
Nedbank Limited – swap 5	7.16%	Feb 2018	Mar 2023	300 000	**(267)**	–
					(6 283)	(912)

Negative value denotes that swap is in the bank's favour.

Derivative asset/liability

	Non-current R'000	Current R'000	Fair value at 31 March 2018 R'000	Non-current R'000	Current R'000	Fair value at 31 March 2017 R'000
Derivative asset	**–**	**–**	**–**	1 870	280	2 150
Derivative liability	**(4 042)**	**(2 241)**	**(6 283)**	(2 514)	(548)	(3 062)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/decreased profit or loss by R7 million (2017: R17 million), including the effects of interest rate swaps. This analysis assumes that all the other variables remain constant.

27.2 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment as it falls due. Cash flows are regularly monitored to ensure that cash resources are adequate to meet funding commitments. The group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect, the entity seeks to borrow for as long as possible at the lowest acceptable cost.

The group regularly reviews the maturity profile of its financial liabilities and seeks to avoid a concentration of maturities through the regular replacement of facilities and by using a selection of maturity dates. Refinancing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk.

The following are the contractual maturities of financial liabilities including finance costs. All financial liabilities, with the exception of derivative liabilities measured at fair value, are measured and carried at amortised cost.

	Carrying amount R'000	0 – 12 months R'000	2 – 5 years R'000	More than 5 years R'000
Group 31 March 2018				
Interest-bearing liabilities	**–**	**177 239**	**2 379 274**	**–**
Derivative liability	**6 283**	**2 241**	**4 042**	**–**
Trade and other payables	**51 919**	**51 919**	**–**	**–**
	2 614 714	**231 399**	**2 383 316**	**–**
Group 31 March 2017				
Interest-bearing liabilities	2 233 441	392 958	1 840 483	–
Derivative liability	3 062	548	2 514	–
Trade and other payables	111 876	111 876	–	–
	2 348 379	505 382	1 842 997	–

27. Financial risk management and further financial instrument disclosures continued

27.2 Liquidity risk continued

It is not expected that the cash flows from the above instruments would occur significantly earlier than presented.

The Company's borrowings are limited by its memorandum of incorporation and in terms of JSE Listings Requirements to 60% of the directors' bona fide valuation of the consolidated property portfolio.

The Company's utilised borrowing capacity at year end can be summarised as follows:

	31 March 2018 R'000	31 March 2017 R'000
Property valuation	**12 599 570**	8 126 648
60% thereof	**7 559 742**	4 875 989
Effective borrowings	**1 936 071**	1 718 493
Unutilised borrowing capacity	**5 623 671**	3 157 496
Facilities available in terms of agreements at year end	**2 440 000**	2 043 550
Undrawn facilities	**503 929**	325 057
Gearing ratio (%)	**15.4**	21.1

27.3 Credit risk

Credit risk arises from the risk that trade receivables may default and result in a loss to the entity. The entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral (in the form of cash deposits and bank guarantees), where appropriate, as a means of mitigating the risk of financial loss from default. Financial performance of the tenant's business is monitored on an ongoing basis.

	Properties	Income %	Receivable R'000
Concentration risk			
Tenant 1	41	54	36 089
Tenant 2	7	24	8 953
Tenant 3	2	8	6 000
Balance	3	14	30 402
	53	100	81 444

In terms of the entity structure, there is a concentration risk in terms of the revenues earned and the resultant receivables. Management receives comprehensive monthly management reports and attends the monthly meeting with the hotel operators in order to monitor performance and identify elements of credit risk.

27.3.1 Credit exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2018 R'000	Group 2017 R'000
Trade and other receivables		
Tenant and related receivables	**81 444**	59 903
	81 444	59 903
Tenant deposits	**20 518**	20 518
Bank guarantees	**16 888**	17 836

The group holds deposits over certain trade and other receivables in the form of cash tenant deposits and bank guarantees as indicated above.

The directors are of the opinion that the financial assets have a low credit risk.

27. Financial risk management and further financial instrument disclosures continued

27.3 Credit risk continued

27.3.2 Impairment losses

The ageing of tenant and related receivables at the reporting date was:

	Gross carrying amount 31 March 2018	Gross carrying amount 31 March 2017
Current (< 30 days)	**81 444**	59 903
Total	**81 444**	59 903

Tenant and related receivables as noted above are continuously assessed for impairment. There is no current indication of any default by any of the receivables at year end.

The group comprehensively assesses the individual circumstances and credit risk of each tenant and receivable and an impairment loss is recognised after the assessment indicates that recoverability is unlikely.

Management has assessed the credit quality of tenants and related receivables as being of low risk.

27.4 Capital structure

In prior years, the entity viewed its capital base as the sum of its shares and debentures as each share was linked to a debenture. During the previous year, both par value shares and debentures converted into no par value shares. The entity seeks to enhance shareholder value by both investing in the business so as to improve the return on investment and by managing the capital structure. The entity uses a mix of equity and debt financial instruments and aims to access both debt and equity capital markets with maximum efficiency and flexibility. The key ratios used to monitor the capital structure are the debt to assets ratio and the interest coverage ratio. Notwithstanding the fact that the entity's total liabilities are limited by the JSE Limited Listings Requirements for REITs at 60% of total assets, the current strategy is to maintain debt levels below 40% of the total investment properties portfolio as per the current loan agreements in place.

	31 March 2018 R'000	31 March 2017 R'000
Stated capital	**9 027 065**	5 565 258
Total capital	**9 027 065**	5 565 258
Total interest-bearing liabilities[1]	**1 940 000**	1 725 063

[1] *The unamortised portion of the debt raising fee amounted to R3.9 million (2017: R6.6 million) at year end.*

The above capital and interest-bearing liabilities are employed to acquire investment properties for the group.

27. Financial risk management and further financial instrument disclosures continued

27.5 Carrying amounts and fair values of financial instruments

	Derivative financial asset R'000	Derivative financial liability R'000	Loans and receivables R'000	Financial liabilities at amortised cost R'000
Group 2018				
Financial asset				
Trade and other receivables	**–**	**–**	**127 600**	**–**
Cash and cash equivalents	**–**	**–**	**390 591**	**–**
Financial liabilities				
Derivative liability	**–**	**6 283**	**–**	**–**
Trade and other payables	**–**	**–**	**–**	**111 876**
Interest-bearing liabilities	**–**	**–**	**–**	**1 940 000**

	Derivative financial asset R'000	Derivative financial liability R'000	Loans and receivables R'000	Financial liabilities at amortised cost R'000
Group 2017				
Financial asset				
Derivative asset	2 150	–	–	–
Trade and other receivables	–	–	115 536	–
Cash and cash equivalents	–	–	210 054	–
Financial liabilities				
Derivative liability	–	3 062	–	–
Trade and other payables	–	–	–	111 876
Interest-bearing liabilities	–	–	–	1 725 063

The carrying amounts of trade and other receivables; cash and cash equivalents and trade and other payables reflected in the statement of financial position approximate the fair value.

The following summarises the significant methods and assumptions used in estimating the fair value of financial instruments. Where applicable, the fair values of financial assets and liabilities have been established using the market value, where available. For those instruments without a market value, a discounted cash flow approach is used.

Derivatives
The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

Non-derivative financial liabilities
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other payables
The carrying amount of trade and other payables reasonably approximates its fair value due to their short-term nature.

Trade and other receivables
The carrying amount of trade and other receivables reasonably approximates its fair value due to their short-term nature.

27. Financial risk management and further financial instrument disclosures continued

27.5 Carrying amounts and fair values of financial instruments continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 March 2018				
Derivative financial liabilities	**–**	**6 283**	**–**	**6 283**
	–	**(6 283)**	**–**	**(6 283)**

The assumptions used to value are based on the estimated movement in JIBAR. A decrease in JIBAR will cause an increase in the liability.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 March 2017				
Derivative financial assets	–	2 150	–	2 150
Derivative financial liabilities	–	(3 062)	–	(3 062)
	–	(912)	–	(912)

There were no defaults on loans payable by the group and Company during the year.

28. Subsequent events

Subsequent to year end, on 23 May 2018, the board of directors declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2018 of 78.46 cents per share. The number of ordinary shares in issue at the date of this declaration was 575 776 951 (excluding appraisal right shares).

29. Property portfolio information

	Valuation %	Gross rental income %	Number of rooms* %
Lease expiry profile			
One year	1	1	2
Two to five years	21	26	23
After five years	78	73	75
	100	100	100

Indicates the number of rooms at 31 March 2018 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel.

	Gross rental income %	Number of rooms* %
By lease type		
Fixed leases	5	3
Fixed and variable leases	95	97
	100	100

Indicates the number of rooms at 31 March 2018 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel.

	Average room rate R	Valuation(2) %	Gross rental income(3) %	Number of rooms* %
Class of hotel(1)				
Luxury	2 039	2 282 790	156 653 934	749
Upscale	1 380	5 354 394	304 361 999	2 947
Midscale	883	4 028 140	353 621 869	3 799
Economy	476	933 830	51 863 236	1 508
		12 599 154	866 501 038	9 003

** Indicates the number of rooms at 31 March 2018 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel.*
(1) All tenants are graded as A tenants, being large national tenants.
(2) Includes non-current assets held for sale.
(3) Excludes straight-lining accrual.

Average property yield	
2018*	10.8%
2017**	9.6%

** The 2018 average property yield is determined as follows: FY2018 rental income/investment properties 2017 value.*
*** The 2017 average property yield is determined as follows: FY2017 rental income/investment properties 2016 value.*

Property portfolio

Property name	Property title	HPF ownership	Property location	Class of hotel	No of rooms	Agreement type	Lease expiry date
Western Cape							
Westin Cape Town	Freehold	Direct	Convention Square, Cape Town, Western Cape	Luxury	483	Fixed and variable lease	31/12/37
Arabella Hotel and Spa	Freehold	Direct	Hermanus, Western Cape	Luxury	145	Fixed and variable lease	13/05/21
Arabella Phase 2 land	Land	Direct	Hermanus, Western Cape	N/A	N/A	N/A	N/A
Southern Sun Cullinan	Freehold	Direct	Waterfront, Cape Town, Western Cape	Upscale	394	Fixed and variable lease	31/03/37
Southern Sun Waterfront	Freehold	Direct	Waterfront, Cape Town, Western Cape	Upscale	537	Fixed and variable lease	31/03/37
Radisson Hotel Waterfront	Freehold	90 sectional title units	Waterfront, Cape Town, Western Cape	Upscale	177	Fixed and variable lease	01/08/19
Protea Hotel Victoria Junction	Freehold	147 sectional title units (84% units in the scheme)	Waterfront, Cape Town, Western Cape	Upscale	172	Fixed and variable lease	31/01/27
Southern Sun Newlands	Freehold	Direct	Newlands, Cape Town	Upscale	162	Fixed and variable lease	31/03/36
StayEasy Century City	Freehold	Direct	Milnerton, Cape Town	Midscale	175	Fixed and variable lease	31/03/36
Sunsquare Cape Town	Freehold	Direct	Gardens, Cape Town	Midscale	136	Fixed and variable lease	31/03/36
Western Cape total					2 381		
Gauteng							
Mount Grace Country House and Spa	Freehold	Direct	Magaliesburg, Gauteng	Luxury	121	Fixed and variable lease	01/12/33
Crowne Plaza Rosebank	Freehold	Direct	Rosebank, Johannesburg, Gauteng	Upscale	318	Fixed and variable lease	01/03/21
Holiday Inn Sandton	Freehold	Direct	Sandton, Gauteng	Upscale	301	Fixed and variable lease	01/03/21
Radisson Gautrain	Freehold	Sectional title	Sandton, Gauteng	Upscale	220	Fixed and variable lease	31/12/30
Southern Sun Katherine Street			Sandton, Gauteng	Upscale	122		31/03/37
Birchwood Executive Hotel and Conference Centre	Freehold	Direct	Boksburg, Gauteng	Midscale	665	Fixed and variable lease	07/07/21
Garden Court OR Tambo	Freehold	Direct	Kempton Park, Johannesburg, Gauteng	Midscale	253	Fixed and variable lease	31/03/36
Garden Court Milpark	Freehold	Direct	Auckland Park, Johannesburg, Gauteng	Midscale	251	Fixed and variable lease	31/03/36
Garden Court Morningside	Freehold	Direct	Sandton, Gauteng	Midscale	150	Fixed and variable lease	31/03/37
Garden Court Hatfield	Freehold	Direct	Hatfield, Pretoria, Gauteng	Midscale	157	Fixed and variable lease	31/03/37
Garden Court Eastgate	Freehold	Direct	Bruma, Johannesburg, Gauteng	Midscale	157	Fixed and variable lease	31/03/37
StayEasy Eastgate	Freehold	Direct	Bruma, Johannesburg, Gauteng	Midscale	135	Fixed and variable lease	31/03/37
Kopanong Hotel and Conference Centre	Freehold	Sectional title	Benoni, Gauteng	Midscale	168	Fixed and variable lease	30/11/18
Gauteng total					3 018		

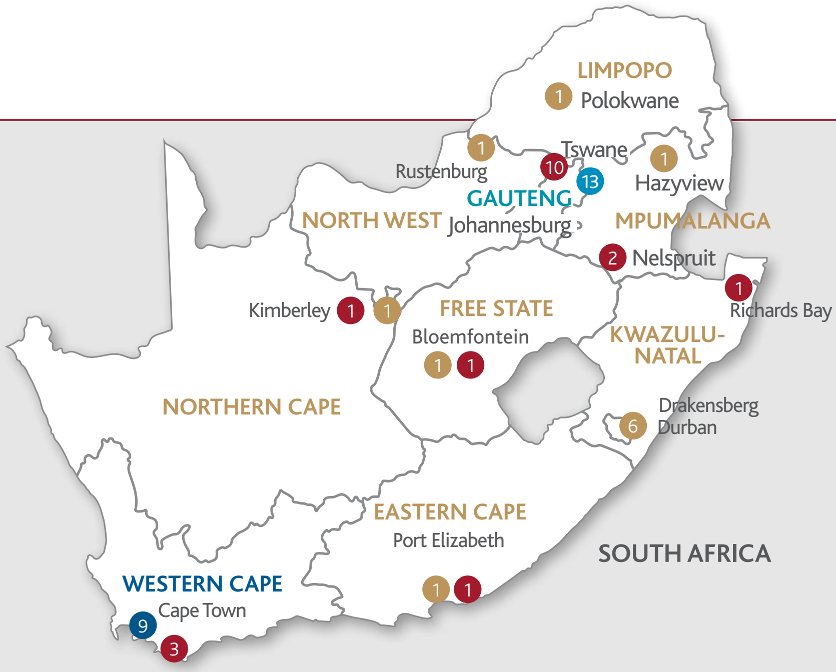
Valuation March 2017 R'000	Acquisitions R'000	Disposals R'000	Development capex R'000	Capital expenditure R'000	Revaluation surplus/(deficit) R'000	**Valuation March 2018 R'000**	Original cost R'000	Capitalised post-acquisition	**Total cost March 2018 R'000**
1 850 638				14 986	79 606	**1 945 230**	648 895	100 379	**749 274**
166 450				6 512	(5 545)	**167 417**	83 368	37 272	**120 640**
22 643				–	–	**22 643**	22 643	–	**22 643**
–	1 116 286			12 178	21 946	**1 150 410**	1 114 108	–	**1 114 108**
–	1 188 421			10 505	53 794	**1 252 720**	1 186 176	–	**1 186 176**
519 292				3 499	(45 921)	**476 870**	232 963	73 170	**306 133**
330 505				3 097	(8 802)	**324 800**	122 839	56 072	**178 911**
140 871				3 588	8 851	**153 310**	160 986	3 911	**164 897**
284 834				2 302	(21 656)	**265 480**	252 288	2 808	**255 096**
121 766				1 518	(21 484)	**101 800**	99 489	1 718	**101 207**
3 436 999	2 304 707	–	–	58 185	60 789	**5 860 680**	3 923 755	275 330	**4 199 085**
132 147				4 193	11 160	**147 500**	131 562	191 595	**323 157**
308 545				2 679	53 910	**365 134**	70 000	339 013	**409 013**
309 549				5 494	(64 433)	**250 610**	409 247	36 755	**446 002**
471 513	301 550			1 678	(157 941)	**616 800**	458 878	19 319	**478 197**
	86 636			1 236	8 628	**96 500**	86 175	–	**86 175**
587 374				18 681	76 875	**682 930**	460 859	77 860	**538 719**
333 833				2 568	(7 860)	**328 540**	422 122	3 416	**425 538**
324 210				1 592	(46 432)	**279 370**	374 652	2 344	**376 997**
	171 557			1 165	(38 232)	**134 490**	171 334	–	**171 334**
	170 413			449	35 028	**205 890**	170 266	–	**170 266**
	152 387			1 918	(57 045)	**97 260**	151 389	–	**151 389**
	87 493			3 313	(31 216)	**59 590**	86 423	–	**86 423**
65 610		(911)		2 209	(1 308)	**65 600**	78 130	8 468	**86 598**
2 532 780	970 036	(911)	–	47 175	(218 867)	**3 330 214**	3 071 037	678 771	**3 749 808**

Property portfolio continued

Property name	Property title	HPF ownership	Property location	Class of hotel	No of rooms	Agreement type	Lease expiry date
Remainder of South Africa							
Champagne Sports Resort	Freehold	Direct and share block	Central Berg, KwaZulu-Natal	Upscale	152	Fixed lease agreement	01/07/18
Southern Sun Bloemfontein	Freehold	Direct	Bloemfontein	Upscale	147	Fixed and variable lease	31/03/36
Protea Edward	Freehold	Direct	OR Tambo Parade Drive, Durban	Upscale	131	Fixed and variable lease	01/07/20
Protea Hotel Marine	Freehold	Direct	Port Elizabeth, Eastern Cape	Upscale	114	Fixed and variable lease	01/02/21
Garden Court South Beach	Freehold	Direct	South Beach, Durban	Midscale	414	Fixed and variable lease	31/03/36
Garden Court Polokwane	Freehold	Direct	Polokwane	Midscale	180	Fixed and variable lease	31/03/36
Garden Court Kimberley	Freehold	Direct	Kimberley	Midscale	135	Fixed and variable lease	31/03/36
Garden Court Kings Beach	Freehold	Direct	Port Elizabeth, Eastern Cape	Midscale	280	Fixed and variable lease	31/03/37
Garden Court Umhlanga	Usufruct	Beneficial holding	Umhlanga, KwaZulu-Natal	Midscale	204	Fixed and variable lease	31/03/37
Stay Easy Pietermaritzburg	Sectional title	Beneficial holding	Pietermaritzburg, KwaZulu-Natal	Midscale	127	Fixed and variable lease	31/03/37
Stay Easy Rustenburg	Freehold	Direct	Rustenburg	Midscale	125	Fixed and variable lease	31/03/36
Protea Hotel Hazyview	Freehold	Direct	Hazyview, Mpumalanga	Midscale	87	Fixed and variable lease	30/06/21
Remainder of South Africa total					2 096		
SUN1 Hotels							
SUN1 Alberton	Freehold	Direct	Alberton, Johannesburg, Gauteng	Economy	76	Fixed and variable lease	31/03/37
SUN1 Benoni	Freehold	Direct	Benoni, Johannesburg, Gauteng	Economy	58	Fixed and variable lease	31/03/37
SUN1 Berea	Freehold	Direct	Berea, Johannesburg, Gauteng	Economy	69	Fixed and variable lease	31/03/37
SUN1 Bloemfontein	Freehold	Direct	Bloemfontein, Free State	Economy	64	Fixed and variable lease	31/03/37
SUN1 Cape Town	Freehold	Direct	Cape Town, Western Cape	Economy	64	Fixed and variable lease	31/03/37
SUN1 Edenvale	Freehold	Direct	Edenvale, Johannesburg, Gauteng	Economy	76	Fixed and variable lease	31/03/37
SUN1 Kimberley	Freehold	Direct	Kimberley, Northern Cape	Economy	64	Fixed and variable lease	31/03/37
SUN1 Midrand	Freehold	Direct	Midrand, Gauteng	Economy	94	Fixed and variable lease	31/03/37
SUN1 Milnerton	Freehold	Direct	Cape Town, Western Cape	Economy	70	Fixed and variable lease	31/03/37
SUN1 Nelspruit	Freehold	Direct	Nelspruit, Mpumalanga	Economy	76	Fixed and variable lease	31/03/37
SUN1 OR Tambo	Freehold	Direct	Kempton Park, Johannesburg, Gauteng	Economy	78	Fixed and variable lease	31/03/37
SUN1 Parow	Freehold	Direct	Cape Town, Western Cape	Economy	76	Fixed and variable lease	31/03/37
SUN1 Port Elizabeth	Freehold	Direct	Port Elizabeth, Eastern Cape	Economy	88	Fixed and variable lease	31/03/37
SUN1 Pretoria	Freehold	Direct	Pretoria, Gauteng	Economy	135	Fixed and variable lease	31/03/37
SUN1 Richards Bay	Freehold	Direct	Richards Bay, KwaZulu-Natal	Economy	64	Fixed and variable lease	31/03/37
SUN1 Southgate	Freehold	Direct	Mondeor, Johannesburg South, Gauteng	Economy	138	Fixed and variable lease	31/03/37
SUN1 Vereeniging	Freehold	Direct	Vereeniging, Gauteng	Economy	41	Fixed and variable lease	31/03/37
SUN1 Witbank	Freehold	Direct	Emalahleni, Mpumalanga	Economy	90	Fixed and variable lease	31/03/37
SUN1 Wynberg	Freehold	Direct	Sandton, Johannesburg, Gauteng	Economy	87	Fixed and variable lease	31/03/37
SUN1 Hotels total					1 508		

Valuation March 2017 R'000	Acquisitions R'000	Disposals R'000	Development capex R'000	Capital expenditure R'000	Revaluation surplus/(deficit) R'000	**Valuation March 2018 R'000**	Original cost R'000	Capitalised post-acquisition	**Total cost March 2018 R'000**
348 488				4 307	(49 305)	**303 490**	148 792	72 661	**221 453**
126 427				588	(29 766)	**97 250**	148 676	887	**149 563**
200 709				3 802	(33 061)	**171 450**	110 400	48 399	**158 799**
134 159				407	(39 516)	**95 050**	73 000	50 583	**123 583**
728 849				9 234	(125 633)	**612 450**	592 637	9 234	**601 871**
276 811				1 263	(1 334)	**276 740**	292 050	1 263	**293 314**
128 989				1 340	(2 629)	**127 700**	196 326	1 734	**198 060**
	189 674			5 594	18 832	**214 100**	190 305	5 594	**190 305**
	299 003			4 310	(65 523)	**237 790**	298 942	4 310	**298 942**
	137 435			2 147	3 818	**143 400**	137 199	2 147	**137 199**
133 328				2 233	(15 461)	**120 100**	118 490	2 471	**120 961**
79 107				1 219	(5 416)	**74 910**	41 508	16 166	**57 674**
2 156 867	626 112	–	–	36 446	(344 993)	**2 474 430**	2 348 326	215 450	**2 551 725**
	69 502			78	(3 665)	**65 915**	69 410	–	**69 410**
	24 235			91	1 221	**25 547**	24 334	–	**24 334**
	31 188			38	2 009	**33 235**	32 132	–	**32 132**
	35 242			34	2 623	**37 899**	35 230	–	**35 230**
	60 270			119	–	**60 389**	60 005	–	**60 005**
	11 812			26	66	**11 904**	11 786	–	**11 786**
	21 887			331	6 498	**28 716**	21 841	–	**21 841**
	88 179			421	(8 759)	**79 841**	88 022	–	**88 022**
	67 594			267	1 468	**69 329**	67 516	–	**67 516**
	52 135			347	1 240	**53 722**	52 042	–	**52 042**
	33 281			471	270	**34 022**	33 244	–	**33 244**
	65 081			1 131	(7 335)	**58 877**	64 796	–	**64 796**
	69 968			135	516	**70 619**	69 922	–	**69 922**
	135 977			571	(20 920)	**115 628**	135 612	–	**135 612**
	27 875			383	(7 300)	**20 958**	27 774	–	**27 774**
	91 630			1 090	(4 254)	**88 466**	91 231	–	**91 231**
	16 501			28	(2 128)	**14 401**	16 462	–	**16 462**
	29 879			28	(4 929)	**24 978**	29 881	–	**29 881**
	30 200			290	8 893	**39 384**	30 229	–	**30 229**
–	962 436	–	–	5 880	(34 486)	**933 830**	961 469	–	**961 469**

Our locations



9 properties in Western Cape portfolio

- Westin Cape Town
- Radisson Blu Waterfront
- Protea Victoria Junction
- Arabella Hotel and Spa
- StayEasy Century City
- Southern Sun Newlands
- Sunsquare Cape Town
- Southern Sun Cullinan
- Southern Sun Waterfront

13 properties in Gauteng portfolio

- Birchwood Hotel and Conference Centre
- Radisson Blu Gautrain
- Kopanong Hotel and Conference Centre
- Mount Grace Country House and Spa
- Crowne Plaza Rosebank
- Holiday Inn Sandton
- Garden Court OR Tambo
- Garden Court Milpark
- Southern Sun Katherine Street
- Garden Court Morningside
- Garden Court Eastgate
- Garden Court Hatfield
- StayEasy Eastgate

12 properties in rest of South Africa portfolio

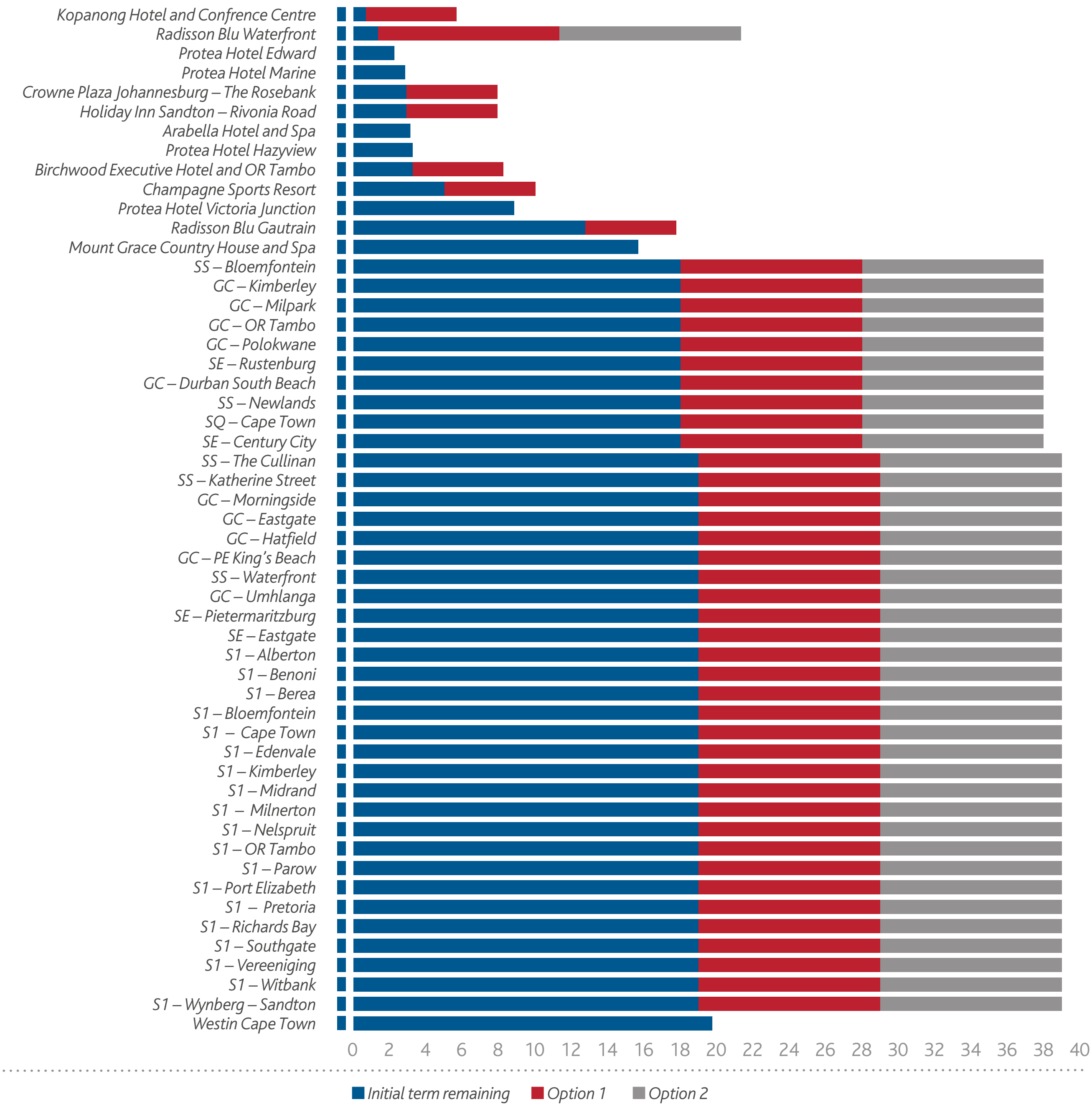
- Garden Court South Beach
- Garden Court Polokwane
- Southern Sun Bloemfontein
- Garden Court Kimberley
- StayEasy Rustenburg
- Protea Edward
- Protea Marine
- Protea Hazyview
- Champagne Sports Resorts
- Garden Court Kings Beach
- Garden Court Umhlanga
- StayEasy Pietermaritzburg

19 SUN1 Hotels in our portfolio

- SUN1 Alberton
- SUN1 Benoni
- SUN1 Berea
- SUN1 Bloemfontein
- SUN1 Cape Town
- SUN1 Edenvale
- SUN1 Kimberley
- SUN1 Midrand
- SUN1 Milnerton
- SUN1 Nelspruit
- SUN1 OR Tambo
- SUN1 Parow
- SUN1 Port Elizabeth
- SUN1 Pretoria
- SUN1 Richards Bay
- SUN1 Southgate
- SUN1 Vereeniging
- SUN1 Witbank
- SUN1 Wynberg

Lease expiry profile

Lease expiry profile *(years)*



Analysis of ordinary shareholdings

as at 31 March 2018

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	173	20.82	50 721	0.01
1 001 – 10 000	267	32.13	1 108 720	0.19
10 001 – 100 000	222	26.71	8 460 704	1.46
100 001 – 1 000 000	129	15.52	42 267 800	7.31
Over 1 000 000	40	4.81	526 266 262	91.03
Total	**831**	**100.00**	**578 154 207**	**100.00**
Distribution of shareholders				
Assurance companies	17	2.05	6 011 081	1.04
Close corporations	12	1.44	617 506	0.10
Collective investment schemes	113	13.60	127 386 438	22.02
Control accounts	1	0.12	14	0.00
Custodians	6	0.72	7 066 769	1.22
Foundations and charitable funds	22	2.65	45 474 942	7.87
Hedge funds	2	0.24	1 733 912	0.30
Insurance companies	4	0.48	2 542 324	0.44
Investment partnerships	5	0.60	41 909	0.01
Managed funds	11	1.32	468 557	0.08
Medical aid funds	9	1.08	2 501 295	0.43
Organs of state	2	0.24	3 159 348	0.55
Private companies	29	3.49	345 847 934	59.82
Public companies	2	0.24	36 445	0.01
Public entities	4	0.48	504 128	0.09
Retail shareholders	378	45.49	3 416 491	0.59
Retirement benefit funds	155	18.65	28 023 134	4.85
Scrip lending	1	0.12	686 212	0.12
Share schemes	1	0.12	562 774	0.10
Stockbrokers and nominees	8	0.96	64 941	0.01
Trusts	48	5.78	2 008 051	0.35
Unclaimed scrip	1	0.12	2	0.00
Total	**831**	**100.00**	**578 154 207**	**100.00**

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	6	0.72	343 306 935	59.38
> 10% Southern Sun Hotels Proprietary Limited	1	0.12	341 992 565	59.15
Share schemes	1	0.12	562 773	0.10
Directors and associates	4	0.48	751 597	0.13
Public shareholders	825	99.28	234 847 272	40.62
Total	**831**	**100.00**	**578 154 207**	**100.00**
Fund managers with a holding greater than 5% of the issued shares				
Coronation Fund Managers			93 350 867	16.15
Prudential Investment Managers			29 439 820	5.09
Total			**122 790 687**	**21.24**
Beneficial shareholders with a holding greater than 5% of the issued shares				
Southern Sun Hotels Proprietary Limited			341 992 565	59.15
Coronation Fund Managers			64 764 296	11.20
HCI Foundation			42 857 144	7.41
Total			**449 614 005**	**77.77**
Total number of shareholdings	**831**			
Total number of shares in issue	**578 154 207**			
Share price performance				
Opening price 3 April 2017	R13.65			
Closing price 30 March 2018	R11.75			
Closing high for period	R14.62			
Closing low for period	R10.75			
Number of shares in issue	578 154 207			
Volume traded during period	61 260 800			
Ratio of volume traded to shares issued	10.60%			
Rand value traded during the period	R803 220 321			
Price/earnings ratio as at 30 March 2018	9.48			
Earnings yield as at 30 March 2018	10.55			
Dividend yield as at 30 March 2018	0.00			
Market capitalisation at 30 March 2018	R6 793 311 932			

Directors' interests

	31 March 2018				11 August 2017#			
	Director		**Associate**	**Total**	Director		Associate	Total
	Direct beneficial	**Indirect beneficial**			Direct beneficial	Indirect beneficial		
J Booysen	**133 957**	**–**	**–**	**133 957**	133 957		–	133 957
ZN Kubukeli	**–**	**–**	**33 919**	**33 919**	–	–	33 919	33 919
GA Nelson	**–**	**–**	**490 123**	**490 123**	–	–	524 062	524 062
L McDonald^	**–**	**–**	**93 598**	**93 598**	–	–	69 232	69 232
	133 957	**–**	**617 640**	**751 597**	133 957	–	627 213	761 170

\# *Comparative holdings for 2017 are shown subsequent to year end, in order to include the results of directors having followed their rights in the rights offer concluded on 4 August 2017.*

^ *Subsequent to year end, on 12 July 2018, L McDonald via an associate, acquired an additional 11 250 shares, amounting to a total holding of 104 848.*

Glossary

Ash Brook	Ash Brook Investment 72 Proprietary Limited
the board	The board of directors of Hospitality Property Fund Limited
CEO	Chief Executive Officer
CGUs	cash-generating units
the Company	Hospitality Property Fund Limited
Companies Act	The Companies Act, No 71 of 2008, as amended
CSDP	Central Securities Depository Participant
Cullinan	The Cullinan Hotel Proprietary Limited (registration number 1988/004685/07), a private company incorporated and registered in accordance with the laws of South Africa and a wholly owned subsidiary of Hospitality
FD	Financial Director
Fezisource	Fezisource Proprietary Limited
FFO	funds from operators
FRSC	Financial Reporting Standards Council
the group	Hospitality Property Fund Limited and its subsidiaries, associates and joint ventures
HCI	Hosken Consolidated Investments Limited
HEPS	headline earnings per share
Hospitality or the Company or the Fund	Hospitality Property Fund Limited
HPF Management	HPF Management Proprietary Limited
HPF Properties	HPF Properties Proprietary Limited (registration number 2005/020743/07), a wholly owned subsidiary of Hospitality
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICR	interest cover ratio
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISA	SA International Standards on Auditing
JSE	JSE Limited
King IV	King Report on Governance for South Africa
LTV	loan to value
Merway	Merway Fifth Investments Proprietary Limited (registration number 1991/006478/07), a private company incorporated and registered in accordance with the laws of South Africa and a wholly owned subsidiary of Hospitality
NAREIT	National Association of Real Estate Investment Trusts
PwC	PricewaterhouseCoopers Inc. was appointed as the external auditor of Hospitality on 22 November 2016
REIT	Real Estate Investment Trust
SENS	Stock Exchange News Service of the JSE Limited
SIC	standing interpretations committee
the appraiser	a qualified real estate appraiser
Tsogo Sun	Tsogo Sun Holdings Limited
VAT	value added tax
Vexicure	Vexicure Proprietary Limited (registration number 2009/017870/07), a private company incorporated and registered in accordance with the laws of South Africa

Corporate information

Company Secretary
LR van Onselen

Registered office
HPF Management Proprietary Limited
(Registration number: 2009/021472/07)
The Zone, Phase 2, 2nd Floor, Loft Offices East Wing
cnr Oxford Road and Tyrwhitt Avenue
Rosebank, Johannesburg, 2196
(PO Box 522195, Saxonwold, 2132)

Commercial bankers
Nedbank Limited
(Registration number: 1966/010630/06)
1st Floor, Corporate Park
Nedcor Sandton
135 Rivonia Road
Sandown, Johannesburg, 2196
(PO Box 1144, Johannesburg, 2000)

Standard Bank of South Africa Limited
(Registration number: 1962/000738/06)
3rd Floor, East Wing, 30 Baker Street
Rosebank, 2196

Trustees to note holders
TMF Corporate Services (South Africa) Proprietary Limited
(Registration number: 2006/013631/07)
3rd Floor, 200 on Main
cnr Main and Bowwood Roads
Claremont, Cape Town, 7708
(Postnet Suite 294, Private Bag X1005, Claremont, 7735)

Independent auditors
PricewaterhouseCoopers Inc.
(Registration number: 1998/012055/21)
4 Lisbon Lane
Waterfall City, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

Sponsor and corporate adviser
Java Capital
6A Sandown Valley Crescent
Sandton, Johannesburg, 2196
(PO Box 522606, Saxonwold, 2132)

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

Attorneys
Edward Nathan Sonnenbergs Inc.
(Registration number: 2006/018200/21)
150 West Street
Sandown, 2196
(PO Box 783347, Sandton, 2146)

Shapiro-Aarons Inc.
(Registration number: 1997/002933/21)
1 Unity Street
Fellside, Johannesburg, 2192
(PO Box 1107, Johannesburg, 2000)

Nortons Inc.
(Registration number: 2009/006902/21)
135 Daisy Street
Sandton, Johannesburg, 2196
(PO Box 41162, Craighall, 2024)

Hospitality
PROPERTY FUND

www.hpf.co.za