Hospitality PROPERTY FUND

INTEGRATED ANNUAL REPORT 2015

This integrated annual report covers the activities of

HOSPITALITY PROPERTY FUND LIMITED

during the financial year ended 30 June 2015

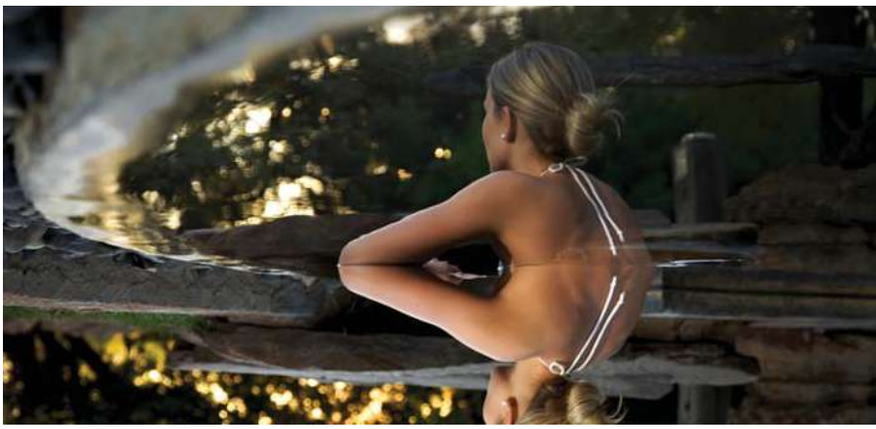
SCOPE OF THIS REPORT

This integrated annual report covers the activities of Hospitality Property Fund Limited ("Hospitality" or "the Fund" or the "Company" or the "Group") during the financial year ended 30 June 2015.

The Board acknowledges its responsibility for preparation and the integrity of the integrated annual report. The report conforms to the requirements of the Companies Act 71 of 2008 and the JSE Limited Listings Requirements. The International Integrated Reporting Framework has been used as a guide to structure the report. King III has also been applied. The annual financial statements (pages 75 to 131), which comply with the International Financial Reporting Standards were audited by KPMG Inc. Their unqualified audit report can be found on page 83.

In line with the International Integrated Reporting Framework on materiality, the report includes all such information about matters that substantively affect the Fund's ability to create and sustain value over the short, medium and long term.

Since adopting integrated reporting in the 2011 financial year, Hospitality continues to improve and refine its reporting to ensure that the information remains relevant to all stakeholders. The aim is to provide an integrated view of the Fund's strategy and business model, as well as the underlying value drivers in order for all stakeholders to monitor progress against strategic objectives. As the only specialised hotel Real Estate Investment Trust ("REIT") in South Africa, Hospitality's performance is directly impacted by real estate fundamentals as well as the state of the hospitality and leisure market, and accordingly it has provided commentary on both sectors.



The 2015 report includes a letter from the Chairman, in addition to the customary Business Overview and Executive Overview, highlighting the Board's response to certain strategic and governance matters that arose during the year.

The report once again provides a sensitivity analysis to changing occupancy, room rates and profitability margins. A detailed review of risks facing the Fund, presents further insights to stakeholders, including the current and planned controls to manage these risks.

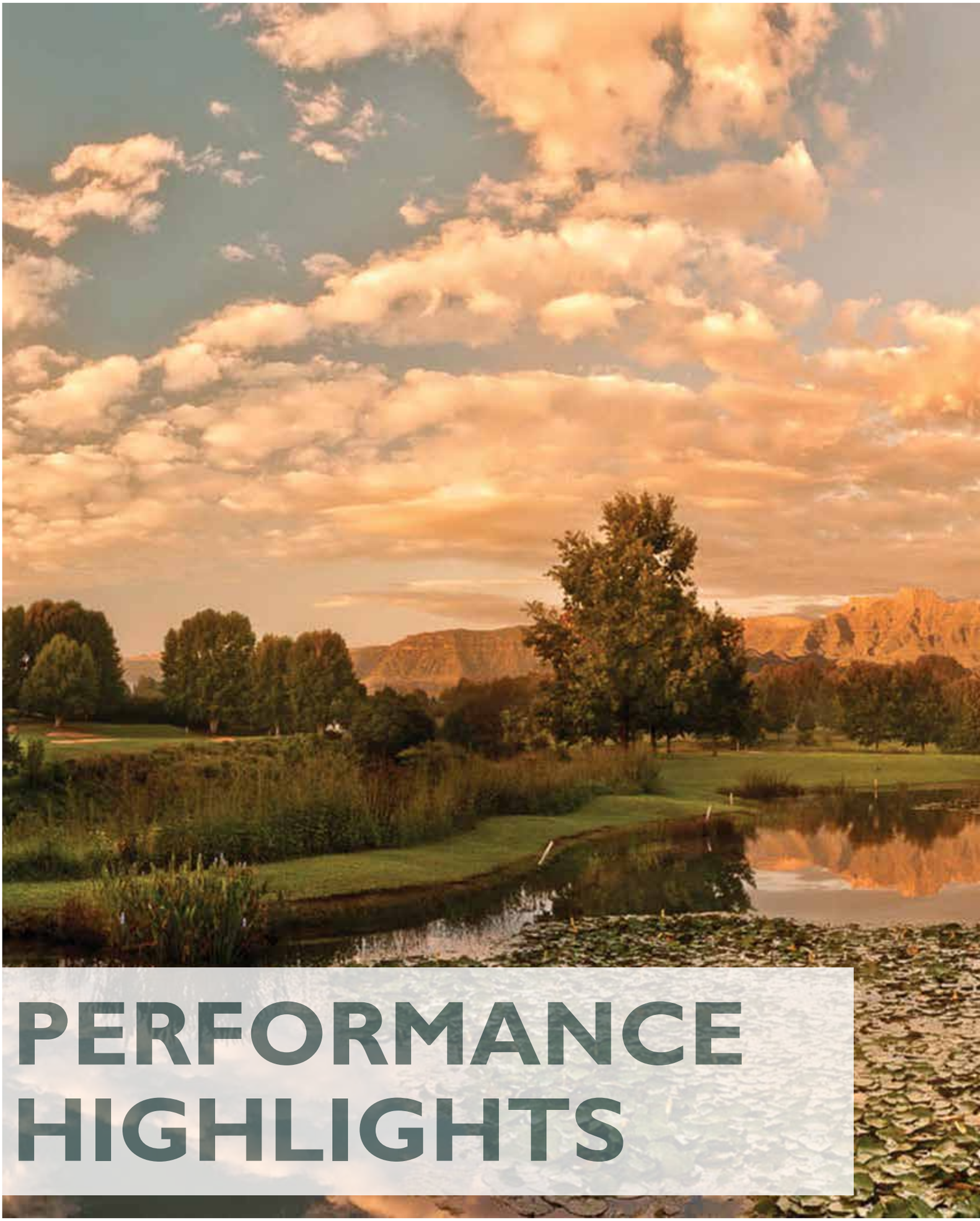
The report includes commentary on Hospitality's operational performance in the business environment, in delivering on its growth strategies.

The "social" commentary discusses its impact on all stakeholders comprising Hospitality's management and employees, suppliers, customers and unitholders as well as the communities in which its hotels and resorts conduct their business.

The "environmental" commentary outlines the physical environment in which the hotels and resorts operate. "Economic and financial" commentaries provide a overview of the Fund's portfolio which aims to deliver positive returns for unitholders and bondholders. This 2015 integrated annual report provides a transparent account of the Fund's activities against the reality of the business environment whilst disclosing new and proactive initiatives that have been implemented to create value for all stakeholders and deliver a sustainable business which is a material contributor to the property investment and hospitality sectors of South Africa.

Details of the assurance of information provided in the report, can be found on page 54.

CONTENTS



PERFORMANCE HIGHLIGHTS

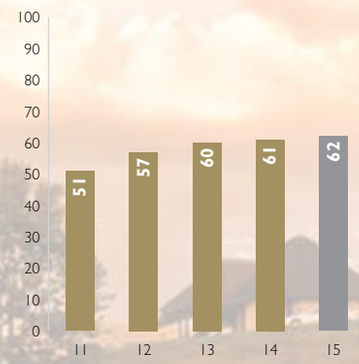
Champagne Sports Resort

REVPAR GROWTH OF

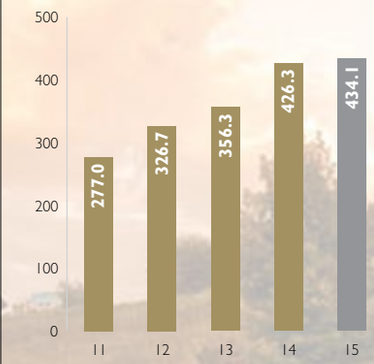
7.3%*

MARGINALLY AHEAD OF 6.8% INDUSTRY AVERAGE

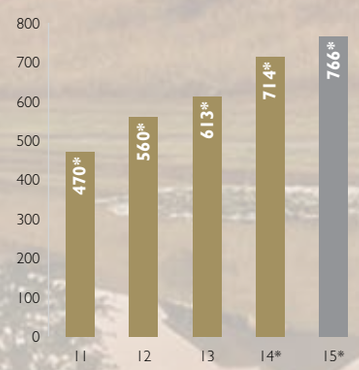
OCCUPANCY (%)



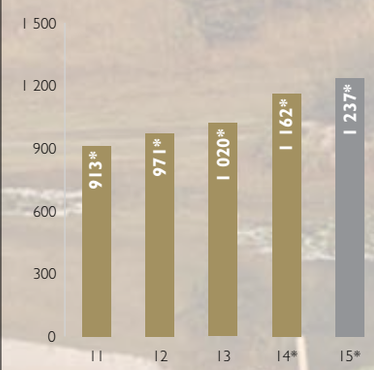
RENTAL INCOME (R MILLION)



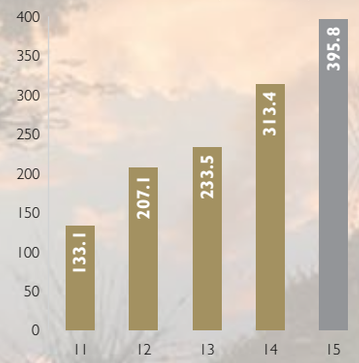
REVPAR (REVENUE PER AVAILABLE ROOM (R))



ADR (AVERAGE DAILY RATE (R))



EBITDA OF HOTELS SUBJECT TO VARIABLE RENTAL (R MILLION)



** Portfolio subject to variable rental income and excluding conference hotels*

FUND AT A GLANCE

MISSION AND STRATEGY

Hospitality is the only specialised Real Estate Investment Trust ("REIT") investing solely in the hospitality and leisure sectors. The Fund offers investors exposure to the growth potential of both the hospitality and property industries. This is achieved through:

- Investment in a select portfolio of hotel and leisure properties, increasingly focusing on well located, large hotel properties in major metropolitan centres, with strong brands and diverse source markets.
- Implementing an active asset management strategy and continually reviewing the composition of the portfolio to maximise the return on assets.
- Ensuring that revenues derived from the hotel operations, which flow through to the Fund as rental income, are optimised.

Hospitality's strategic objectives are to optimally grow linked unitholder returns while diversifying and managing risk and at the same time maintaining high standards of corporate citizenship and sustainable development.

BUSINESS MODEL

Hospitality Property Fund Limited is a REIT, offering investors a unique investment vehicle in the hospitality sector through the ownership of select hotel and leisure properties. Hospitality is a publicly traded company and is listed on the Main Board of the JSE Limited (JSE) under the "Financials – Speciality REIT" sector.

The Company comprises 22 hotel and resort properties valued at R5,1 billion, located throughout South Africa. Its portfolio is highly diversified in terms of geographic location, hotel grading, brands and market mix.

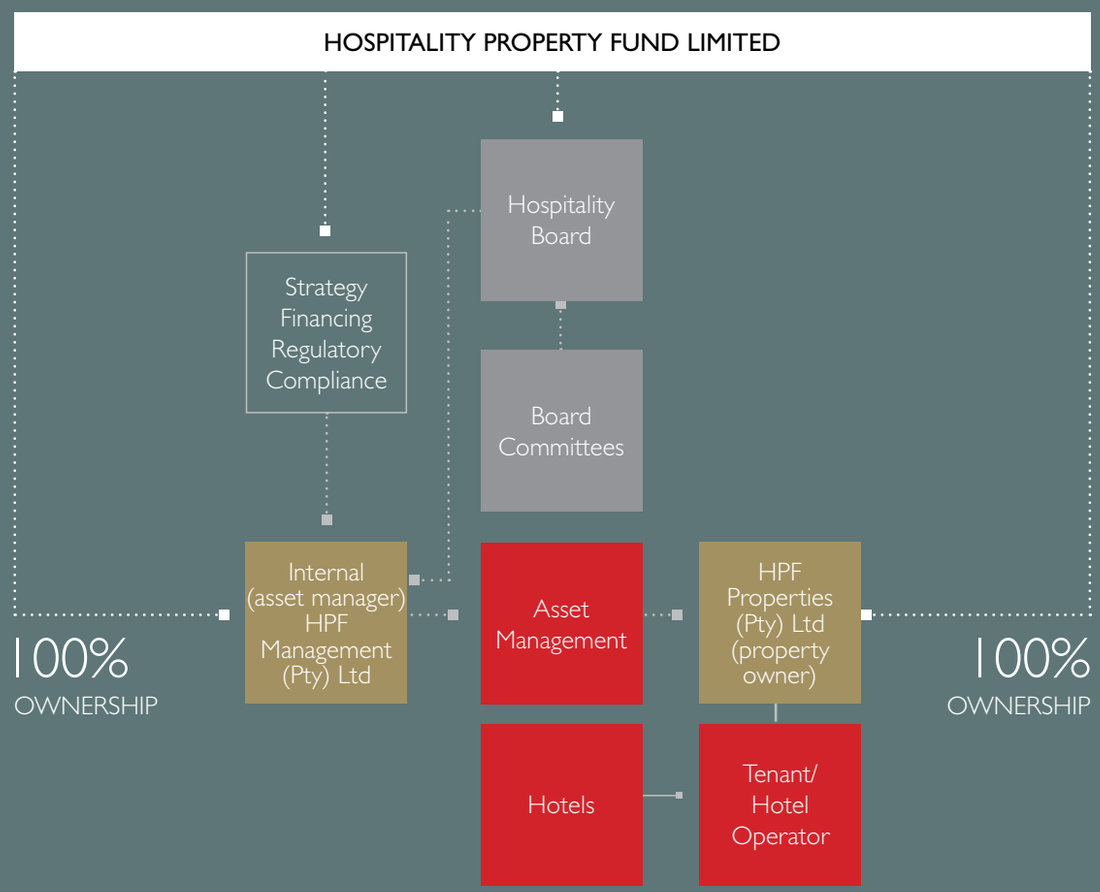
Hospitality caters to the requirements of a wide-ranging domestic and international target market, including business travel, leisure travel and conferencing markets. Well-located, quality properties with strong brands offering a superior guest experience are the key differentiators which will enable the Fund to generate positive returns for unitholders.

Hospitality is the largest multi-branded hotel owner in South Africa and has built strong partnerships with well-recognised local and international hotel brands. Through these long-term partnerships, the Fund leverages the value of its portfolio. The Fund's profits are distributed as a qualifying rental distribution and free of tax. Linked unitholders are consequently taxed according to their individual tax status.

At year-end the Company comprised a total of 144,3 million A-linked units and 144,3 million B-linked units, which are traded on the JSE under the codes HPA and HPB, respectively. The A-linked units have a preferential claim to earnings with capped growth at the lesser of growth in the Consumer Price Index ("CPI") or 5%. The B-linked units receive the balance of the earnings. As at 30 June 2015 the net asset value was R11,74 per linked unit.

Ethical values and open stakeholder communication underpins the Company's management philosophy.

Sustainable development is core and the Company continues to implement new and expand on existing measures in place, in order to reduce its environmental impact.



STRATEGIC OBJECTIVES

FUND STRATEGY

Objective	Delivery in 2015
Optimally grow linked unitholder returns while diversifying and managing risk	The impact of the downturn in the domestic hospitality sector on distributable earnings, was dampened by the Fund's strategic investment hotel properties in major metropolitan centres.
Maintaining high standards of corporate citizenship and sustainable development	Introduction of a whistle-blowing channel. Participation in Rethakals Repurpose school bag project. Completion of various training initiatives through the HPF development academy.
Diversification of financing structure	Additional funding of R140 million secured through Domestic Medium-Term Note Programme and spreading of the debt maturity profile.
Sustainable capital structure	Continue to explore the possibility of converting the Company's capital structure to a single class of share.
Obtain REIT status	Shareholder approval obtained to complete REIT conversion.

PORTFOLIO STRATEGY

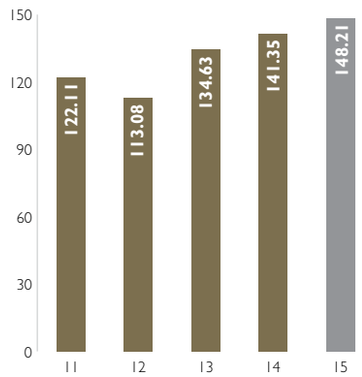
Objective	Delivery in 2015
Diversification of hotel management companies	Exploring opportunities with leading local and international hotel managers.
Focus on enhancing the quality of property portfolio through: • Acquisitions: Large hotel properties in major metropolitan areas with diverse source markets and strong brands	• Ongoing evaluation of value accretive investment opportunities, including new developments in high-growth nodes. • Further upgrades at selected Cape Town Foreshore and Sandton properties. • Considering opportunities to enhance the value creation ability of the Fund through corporate action.
• Disposals: Non-core properties that do not fit this profile	• Disposed of three properties held for sale, namely Protea Hotel The Richards, Protea Hotel Hluhluwe and Safaris and Premier Hotel King David, post year-end. • The disposal of the Fund's interest in the Courtyard portfolio for R80 million, effective 1 May 2015.
• Continuous investment in existing properties to enhance value proposition of portfolio objectives	• Obtained approval of rezoning application on the Phase 2 land at Arabella Hotel & Spa subject to compliance with certain conditions and administrative processes. • R13,2 million was invested to reposition the Mount Grace Country House and Spa with the construction of a mountain cycling club and children's entertainment facilities. • Refurbishment of 167 rooms at Birchwood for R20,7 million to support the hotel's initiatives to attract additional corporate clients, including the relaunch of a section of the hotel as "The Silverbirch Hotel". • Four new rooms were added at the Radisson Blu Gautrain and the public areas were upgraded, with a total investment of R15,3 million. • The Radisson Blu Waterfront conference facilities and public areas were refurbished, costing R9,0 million. • An outdoor swimming pool, with an investment R7,3 million, was completed at Westin Cape Town to enhance the appeal of the hotel to the leisure market.

Westin Cape Town

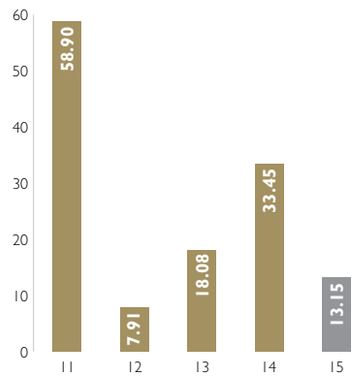
FINANCIAL CAPITAL
FIVE-YEAR OVERVIEW

	2011 R'000	2012 R'000	2013 R'000	2014 R'000	**2015 R'000**
Distribution per A-linked unit (cents)	122.11	113.08	134.63	141.35	**148.21**
Growth in distribution – A-linked unit (%)	5.0	(7.4)	19.1	5.0	**4.9**
Weighted average number of A-linked units (million)	80.46	90.04	129.27	137.37	**142.38**
Distribution per B-linked unit (cents)	58.90	7.91	18.08	33.45	**13.15**
Growth in distribution – B-linked unit (%)	(33.1)	(86.6)	128.6	85.0	**(60.7)**
Weighted average number of B-linked units (million)	80.46	90.04	129.27	136.23	**140.41**
Distribution per combined linked unit (cents)	181.01	120.99	152.71	174.80	**161.36**
Growth in distribution – combined linked unit (%)	(11.4)	(33.2)	26.2	14.5	**(7.7)**
Weighted average number of combined units (million)	160.92	180.08	258.54	273.59	**282.79**
Property value (R million)	3 956	3 862	4 570	4 827	**5 136**
Interest bearing liabilities (R million)	1 740	1 360	1 573	1 773	**1 858**
Gearing to property value (%)	44.0	35.2	34.4	36.7	**36.2**
NAV per unit (cents)					
A-linked	1 271	1 015	1 095	1 140	**1 174**
B-linked	1 271	1 015	1 095	1 140	**1 174**
Combined	2 542	2 030	2 190	2 280	**2 348**
Closing market price (cents)					
A-linked	1 441	1 325	1 680	1 730	**1 398**
B-linked	750	340	520	520	**210**
Combined	2 191	1 665	2 200	2 250	**1 608**
(Discount)/premium to NAV (%)					
A-linked	13.4	30.5	53.4	51.8	**18.2**
B-linked	(41.0)	(66.5)	(52.5)	(54.4)	**(82.2)**
Combined	(13.8)	(18.0)	0.5	(1.3)	**(32.0)**
Growth/(decline) in unit price (%)					
A-linked	11.7	(8.0)	26.8	3.0	**(19.2)**
B-linked	(31.2)	(54.7)	52.9	–	**(59.6)**
Combined	(7.9)	(24.0)	32.1	2.3	**(28.5)**
Total return per annum (%)					
A-linked	21.2	(0.2)	37.0	11.4	**(10.6)**
B-linked	(25.8)	(53.6)	58.3	6.4	**(57.1)**
Combined	(0.3)	(18.5)	41.3	10.2	**(21.4)**
Percentage of gross rental income (%)					
Fixed	44.0	37.0	35.0	28.4	**9.3**
Fixed and variable	50.0	59.0	60.0	65.9	**83.0**
Variable	6.0	4.0	5.0	5.7	**7.7**
Number of properties	26	26	27	26	**22**

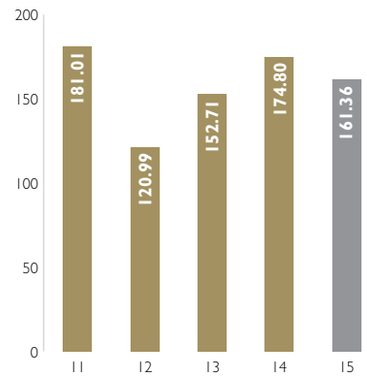
DISTRIBUTION PER A-LINKED UNIT (CENTS)



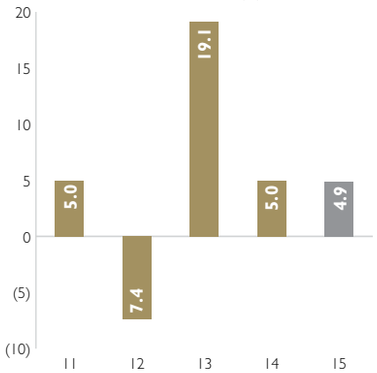
DISTRIBUTION PER B-LINKED UNIT (CENTS)



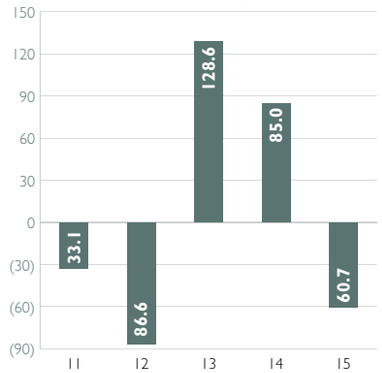
DISTRIBUTION PER COMBINED LINKED UNIT (CENTS)



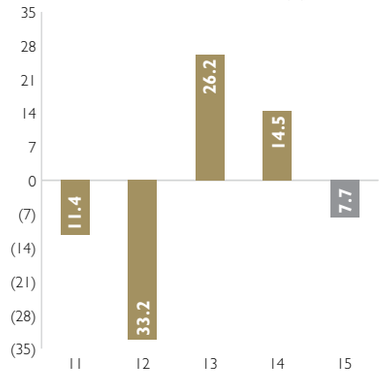
GROWTH IN DISTRIBUTION A-LINKED UNIT (%)



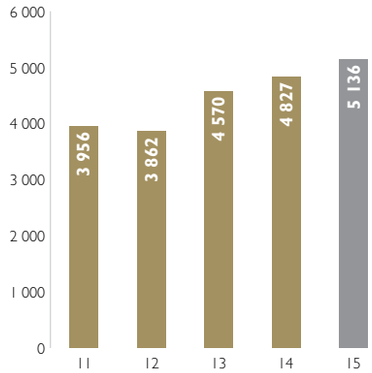
GROWTH IN DISTRIBUTION B-LINKED UNIT (%)



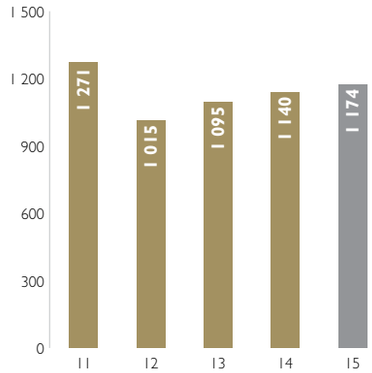
GROWTH IN DISTRIBUTION COMBINED LINKED UNIT (%)



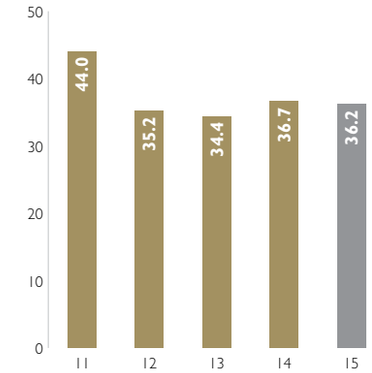
PROPERTY VALUE (R MILLION)



NAV PER UNIT (CENTS)



GEARING TO PROPERTY VALUE (%)



ONE

FIXED LEASE AGREEMENTS
(Fixed rentals with inflation linked escalations)


CHAMPAGNE SPORTS RESORT


PREMIER HOTEL KING DAVID*

TWO

F&V LEASE AGREEMENTS
(Rentals approximately 50% fixed with inflation linked escalations. Approximately 50% variable = 90% to 98% of EBITDA less fixed lease component)


ARABELLA HOTEL AND SPA


BIRCHWOOD HOTEL & OR TAMBO CONFERENCE CENTRE


CROWNE PLAZA JOHANNESBURG THE ROSEBANK


MOUNT GRACE COUNTRY HOUSE AND SPA


PROTEA HOTEL EDWARD


PROTEA HOTEL HAZYVIEW


PROTEA HOTEL RICHARDS BAY


PROTEA HOTEL THE RICHARDS*

PROTEA HOTEL VICTORIA JUNCTION

THREE

VARIABLE LEASE AGREEMENTS
(Rentals = EBITDA)

RADISSON BLU WATERFRONT

* *Sold post year-end*

PORTFOLIO OVERVIEW

Hospitality % ownership

HOLIDAY INN SANDTON – RIVONIA ROAD

INN ON THE SQUARE

KOPANONG HOTEL AND CONFERENCE CENTRE

PROTEA HOTEL HLUHLUWE AND SAFARIS*

PROTEA HOTEL IMPERIAL

PROTEA HOTEL MARINE

PROTEA HOTEL THE WINKLER

RADISSON BLU GAUTRAIN SANDTON

THE BAYSHORE INN

WESTIN CAPE TOWN

PROPERTY PORTFOLIO

	Property title	HPF ownership	Property location	Lease type	Grading	No of rooms	Carrying amount 30 June 2014 R'000	Acqui-sitions R'000	Refurbish-ments R'000
CORE PORTFOLIO									
Birchwood Hotel & OR Tambo Conference Centre	Freehold	Direct (450 owned)	Boksburg	F & V	Economy	665	681 000	60 000	13 172
Radisson Blu Waterfront	Freehold	Sectional title units (54% of accomodation units)	Cape Town	F & V	Luxury	177	235 000	76 639	
Arabella Hotel & Spa	Freehold	Direct	Kleinmond	F & V	Luxury	145	115 000		
Crowne Plaza Johannesburg – The Rosebank	Freehold	Direct	Rosebank	F & V	Midscale	318	337 000		
Holiday Inn Sandton – Rivonia Road	Freehold	Direct	Sandton	F & V	Midscale	301	378 000		
Inn on the Square	Freehold	Direct	Cape Town	F & V	Economy	165	118 000		
Mount Grace Country House & Spa	Freehold	Direct	Magaliesberg	F & V	Luxury	121	203 000		12 872
Protea Hotel Edward	Freehold	Direct	Durban	F & V	Midscale	101	117 000		
Protea Hotel Marine	Freehold	Direct	Port Elizabeth	F & V	Midscale	114	100 000		
Protea Hotel Victoria Junction	Freehold	Sectional title units (94% of units in the scheme)	Cape Town	F & V	Midscale	172	235 000		
Radisson Blu Gautrain	Freehold	Sectional title (100% of hotel units)	Sandton	F & V	Luxury	220	474 000	15 378	
Westin Cape Town	Leasehold	Direct	Cape Town	F & V	Luxury	483	1 121 000		13 535
Champagne Sports Resort	Freehold	Combined share block and direct	Central Berg	Fixed	Midscale	152	253 000		
Total core portfolio						3 134	4 367 000	152 017	39 579
% core of total portfolio						78	90	98	100
NON-CORE PORTFOLIO									
Kopanong Hotel & Conference Centre	Freehold	Sectional title (80% of scheme)	Benoni	F & V	Economy	201	82 000		
Premier King David	Freehold	Direct	East London	Fixed	Economy	80	35 000		
Protea Hotel Hazyview	Freehold	Direct	Hazyview	F & V	Economy	87	33 000		
Protea Hotel Hluhluwe & Safaris	Freehold	Direct	Hluhluwe	F & V	Economy	77	18 900		
Protea Hotel Imperial	Freehold	Direct	Pietermaritzburg	F & V	Economy	70	30 000		
Protea Hotel Richards Bay	Freehold	Direct	Richards Bay	F & V	Economy	66	37 000		
Protea Hotel – The Richards	Freehold	Direct	Richards Bay	F & V	Midscale	135	68 000		
Protea Hotel – The Winkler	Freehold	Direct	White River	F & V	Economy	87	41 000		
The Bayshore Inn	Freehold	Direct	Richards Bay	F & V	Economy	102	39 000		
Total non-core portfolio						905	383 900	–	–
% non-core of total portfolio						22	8	0	0
Non-core portfolio disposals									
Courtyard Arcadia							22 000		
Courtyard Eastgate							13 000		
Courtyard Rosebank							26 000	459	
Courtyard Sandton							16 000	2 151	
Total non-core portfolio disposals							77 000	2 610	–
Grand total						4 039	4 827 900	154 627	39 579

CapEx R'000	Capitalised cost for the year R'000	Disposal proceeds R'000	Profit on sale and re-valuation surplus/ (deficit) R'000	Valuation 30 June 2015 R'000	Var %	Discount rate %	Terminal cap rate %	Date of acquisition	Acquisition cost	Capitalised cost post acquisition	Total cost	Surplus/ (deficity) on valuation to cost	% change
10 072	83 244		(82 244)	**682 000**	(10.8)	14.50	10.50	Feb-06	460 859	38 444	499 303	182 697	36.6
8 821	85 460		55 540	**376 000**	17.3	13.75	9.00	Feb-06	221 963	37 648	259 611	116 389	44.8
4 076	4 076		30 924	**150 000**	26.0	14.50	10.50	May-11	83 368	25 529	108 897	41 103	37.7
1 193	1 193		8 807	**347 000**	2.6	14.50	9.00	Feb-06	70 000	332 876	402 876	(55 876)	(13.9)
4 277	4 277		(16 277)	**366 000**	(4.3)	14.50	9.00	Sep-08	409 247	29 609	438 856	(72 856)	(16.6)
559	559		(5 559)	**113 000**	(4.7)	15.00	11.00	Feb-06	63 361	47 552	110 913	2 087	1.9
1 762	14 634		(60 634)	**157 000**	(27.9)	14.50	10.00	Feb-06	131 562	180 297	311 859	(154 859)	(49.7)
1 366	1 366		(7 366)	**111 000**	(6.2)	15.00	10.75	Jun-10	110 400	21 709	132 109	(21 109)	(16.0)
611	611		16 389	**117 000**	16.3	15.00	10.75	Feb-06	73 000	44 598	117 598	(598)	(0.5)
987	987		7 013	**243 000**	3.0	14.50	10.00	Feb-07	122 839	48 713	171 552	71 448	41.6
1 298	16 676		(24 676)	**466 000**	(5.0)	13.75	9.00	Apr-13	458 878	9 126	468 004	(2 004)	(0.4)
13 128	26 663		263 337	**1 411 000**	22.9	13.50	8.75	May-11	648 895	52 539	701 434	709 566	101.2
(442)	(442)		15 442	**268 000**	6.1	14.50	10.50	Feb-06	148 792	28 597	177 389	90 611	51.1
47 708	**239 304**	**–**	**200 696**	**4 807 000**	**4.4**				**3 003 164**	**897 237**	**3 900 401**	**906 599**	**23.2**
95	**98**	**0**	**139**	**94**									
176	176		(2 448)	**79 728**	(3.0)	15.00	11.00	Feb-06	78 130	5 761	83 891	(4 163)	(5.0)
252	252		(7 252)	**28 000**	(20.6)	15.50	12.50	Feb-06	52 000	3 734	55 734	(27 734)	(49.8)
213	213		12 787	**46 000**	38.5	14.00	11.00	Apr-07	41 508	14 334	55 842	(9 842)	(17.6)
982	982		(5 382)	**14 500**	(27.1)	15.00	11.50	Jul-07	28 219	14 295	42 514	(28 014)	(65.9)
(352)	(352)		(4 648)	**25 000**	(15.7)	15.00	11.50	Mar-07	24 456	21 286	45 742	(20 742)	(45.3)
290	290		(9 290)	**28 000**	(24.9)	15.00	11.00	Feb-06	23 000	12 023	35 023	(7 023)	(20.1)
433	433		(22 433)	**46 000**	(32.8)	15.00	11.00	Feb-07	63 137	23 540	86 677	(40 677)	(46.9)
(88)	(88)		(14 912)	**26 000**	(36.4)	15.00	11.00	Feb-06	10 000	37 967	47 967	(21 967)	(45.8)
381	381		(3 381)	**36 000**	(8.6)	15.00	11.00	Feb-07	12 333	27 350	39 683	(3 683)	(9.3)
2 287	**2 287**	**–**	**(56 959)**	**329 228**	**(14.7)**				**332 783**	**160 290**	**493 073**	**(163 845)**	**(33.2)**
5	**1**	**0**	**(40)**	**6**									
	–	(22 000)	–	–				Feb-06	19 300	1 976	21 276	724	3.4
	–	(13 000)	–	–				Feb-06	9 400	–	9 400	3 600	38.3
	459	(26 450)	(9)	–				Feb-06	12 639	–	12 639	13 811	109.3
	2 151	(18 550)	399	–				Feb-06	10 813	2 077	12 890	5 660	43.9
–	**2 610**	**(80 000)**	**390**	**–**					**52 152**	**4 053**	**56 205**	**23 795**	**42.3**
49 995	**244 201**	**(80 000)**	**144 127**	**5 136 228**	**2.8**				**3 388 099**	**1 061 580**	**4 449 679**	**766 549**	**17.2**

MANUFACTURED CAPITAL

VALUE DRIVERS

01

MACRO-ECONOMY

Although Hospitality invests solely in South Africa, it is vital to monitor not only the local macro-economic factors, but to also analyse the global and regional economic activity in order to identify trends early on. This not only guides the decisions in future investments but also in the sales and marketing focus and in adapting operationally.

02

HOTEL ECONOMIC CYCLE

The hotel economic cycle is generally closely tied to the macro-economic phases moving through either the expansionary phase, the contractionary phase or the switchover phase. Understanding each phase of the hotel economic cycle and the business impact thereof is vital to limiting risk exposure in the respective markets.

03

LOCATION

The key to sustainable property investment remain prime locations. Visibility, accessibility and proximity to major business hubs or points of leisure interest are important demand drivers.

04

COMPETITION – CURRENT/NEW SUPPLY

Knowledge of the competitive landscape and the dynamics of each market is essential to ensure sustainable profitability.

05

BRAND AFFILIATION

A strong, local or international brand underpins the hotel's competitiveness within its chosen product segment.

06

OPERATIONS AND MANAGEMENT

Hotel operations require specialist expertise and are highly management and labour intensive. Leadership and involvement in all layers of the business lead to customer and employee satisfaction essentially resulting in sustainable profitability.

07

DEVELOPMENTS AND INVESTMENTS

A constant focus on improvement and development for each hotel is necessary in order to maintain a strong market position.

08

ASSET MANAGEMENT

Asset management in the hotel industry requires both an in-depth understanding of hotel operations and asset management in order to optimise returns.

09

LEASE STRUCTURE

Fixed or variable lease structures or a combination of the two are available in the hotel industry. Both the fixed and variable lease structures which the Fund uses are adopted to suit each property/ tenant and are designed to mitigate risk.

Hospitality's value drivers form the basis of its vision and choice of investment.

PRODUCTIVITY ESSENTIAL TO VALUE GROWTH

KEY HOTEL PROFIT DRIVERS

The management of a hotel property is a complex undertaking. A hotel is made up of several business units with the core unit being the rooms department and auxiliary units comprising of food and beverage outlets, banqueting, safari, spa, and/or golf. The configuration of business units within a particular hotel is selected after careful consideration of each component of the hotel business model. A successful property needs the right combination providing the ideal product offering that meets the needs of the target market as later changes may be costly.

In traditional hotel properties, the rooms department is the largest contributor to gross revenue with the food and beverage department being the second largest. The majority of auxiliary unit revenue is typically driven by the number of room nights sold assuming that guests staying at the hotel will spend on food and beverage or other offerings. Exceptions to the rule exist; a non-traditional hotel property such as the Birchwood Hotel & OR Tambo Conference Centre can generate up to 64% of gross revenue through the food and beverage department since its business model is targeted at providing large scale conferencing with rooms as an 'auxiliary offering'.

The composition of rooms revenue contains multi-faceted layers of business, conference and leisure sales. Every day is vital in achieving budgeted RevPAR. It requires that the respective management team has an in-depth understanding of the hotel's market dynamics and is quick in responding to changes. Similar to the airline industry, a hotel applies yield management to realise the maximum in revenues while providing the desired product to the right customer.

In simplified terms, a hotel manager has three tools with which to increase hotel profits: increase occupancy, increase average daily rate (ADR) or increase profitability through cost reduction. Each of these tools requires a distinct approach and varies in its impact on the overall business.

In a case study each of the three tools has been applied independently to an average sized hotel property within the Fund's portfolio. The outcome of each scenario is presented in the example below. The base case assumes a 350 room hotel with an ADR of R1 000 and an occupancy of 66.7% resulting in RevPAR of R667 for the year. Base case EBITDA amounts to R31,7 million.

VALUE DRIVERS

INCREASED REVENUES	SMARTER INVESTMENTS	DECREASED COSTS	REDUCED RISK

	BASE CASE
Number of rooms	350
Occupancy	66.7%
ADR	R1 000
RevPAR	R667
Total revenue	Rm120,0
MCP	Rm41,3
EBITDA	Rm31,7

	5% GROWTH IN OCCUPANCY	GROWTH	VARIANCE
Number of rooms	350		
Occupancy	**70.0%**	**5.0%**	
ADR	R1 000	0.0%	
RevPAR	R700	5.0%	
Total revenue	Rm124,2	3.5%	Rm4,3
MCP	Rm44,4	7.7%	Rm3,3
EBITDA	Rm34,4	8.9%	**Rm2,8**
Conversion	**66.5%**		

	5% GROWTH IN ADR	GROWTH	VARIANCE
Number of rooms	350		
Occupancy	66.7%	0.0%	
ADR	**R1 050**	**5.0%**	
RevPAR	R700	5.0%	
Total revenue	Rm124,3	3.5%	Rm4,3
MCP	Rm45,1	9.2%	Rm3,7
EBITDA	Rm35,1	10.8%	**Rm3,4**
Conversion	**80.2%**		

	5% GROWTH IN PROFITABILITY	GROWTH	VARIANCE
Number of rooms	350		
Occupancy	66.7%	0.0%	
ADR	1 000	0.0%	
RevPAR	667	0.0%	
Total revenue	Rm120,0	0.0%	
MCP	**Rm43,3**	**5.0%**	**Rm2,1**
EBITDA	Rm33,6	6.0%	**Rm1,9**
Conversion	**92.0%**		

GROWTH IN OCCUPANCY BY 5%

A 5% growth in occupancy results in an increase of R4,3 million in Total Revenue while EBITDA increases by R2,8 million. As occupancy increases so do variable expenses such as guest supplies, cleaning materials, casual staff and electricity resulting in a conversion of additional revenue into EBITDA of 66.5%.

GROWTH IN ADR BY 5%

A 5% growth in ADR also results in an increase of R4,3 million in Total Revenue, however, EBITDA increases by R3,4 million (80.2% conversion). An increase in ADR does influence variable expenses but not to the same extent as an increase in occupancy. Management fees and marketing fees increase in line with the respective percentage as per the management agreement.

GROWTH IN PROFITABILITY BY 5%

A 5% growth in profitability (increase in MCP) does not require any additional revenue to be generated. It results in a R1,9 million increase to EBITDA. Improving profit margins should always be a focus. It can be a very effective tool especially in economic downturns as it carries little risk and can be fully controlled by management unlike an increase in occupancy and ADR which depends on customer choice. Management needs to be mindful nevertheless that costs are not cut to the detriment of the customer experience as this may have a negative impact on occupancy and ADR.

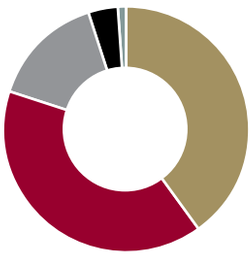
GLOSSARY
MCP – Management controllable profit
ADR – Average daily rate
RevPAR – Revenue per available room
EBITDA – Earnings before interest, tax, depreciation and amortisation

GEOGRAPHICAL MAP

1	Westin Cape Town
2	Radisson Blu Waterfront
3	Protea Hotel Victoria Junction
4	Inn on the Square
5	Arabella Hotel & Spa
6	Protea Hotel Marine
7	The Premier Hotel King David*
8	Protea Hotel Edward
9	Protea Hotel Imperial
10	Champagne Sports Resort
11	Protea Hotel – Richards Bay
12	The Bayshore Inn
13	Protea Hotel – The Richards*
14	Protea Hotel Hluhluwe & Safaris*
15	Protea Hotel – The Winkler
16	Protea Hotel – Hazyview
17	Birchwood Hotel & OR Tambo Conference Centre
18	Crowne Plaza Johannesburg – The Rosebank
19	Holiday Inn Sandton Rivonia Road
20	Kopanong Hotel & Conference Centre
21	Mount Grace Country House & Spa
22	Radisson Blu Gautrain – Sandton

** Sold post year-end*

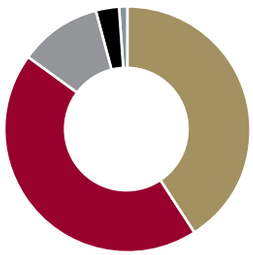
GROSS RENTAL INCOME BY LOCALITY#



Gauteng 40%
Western Cape 40%
KwaZulu-Natal 15%
Eastern Cape 4%
Mpumalanga 1%

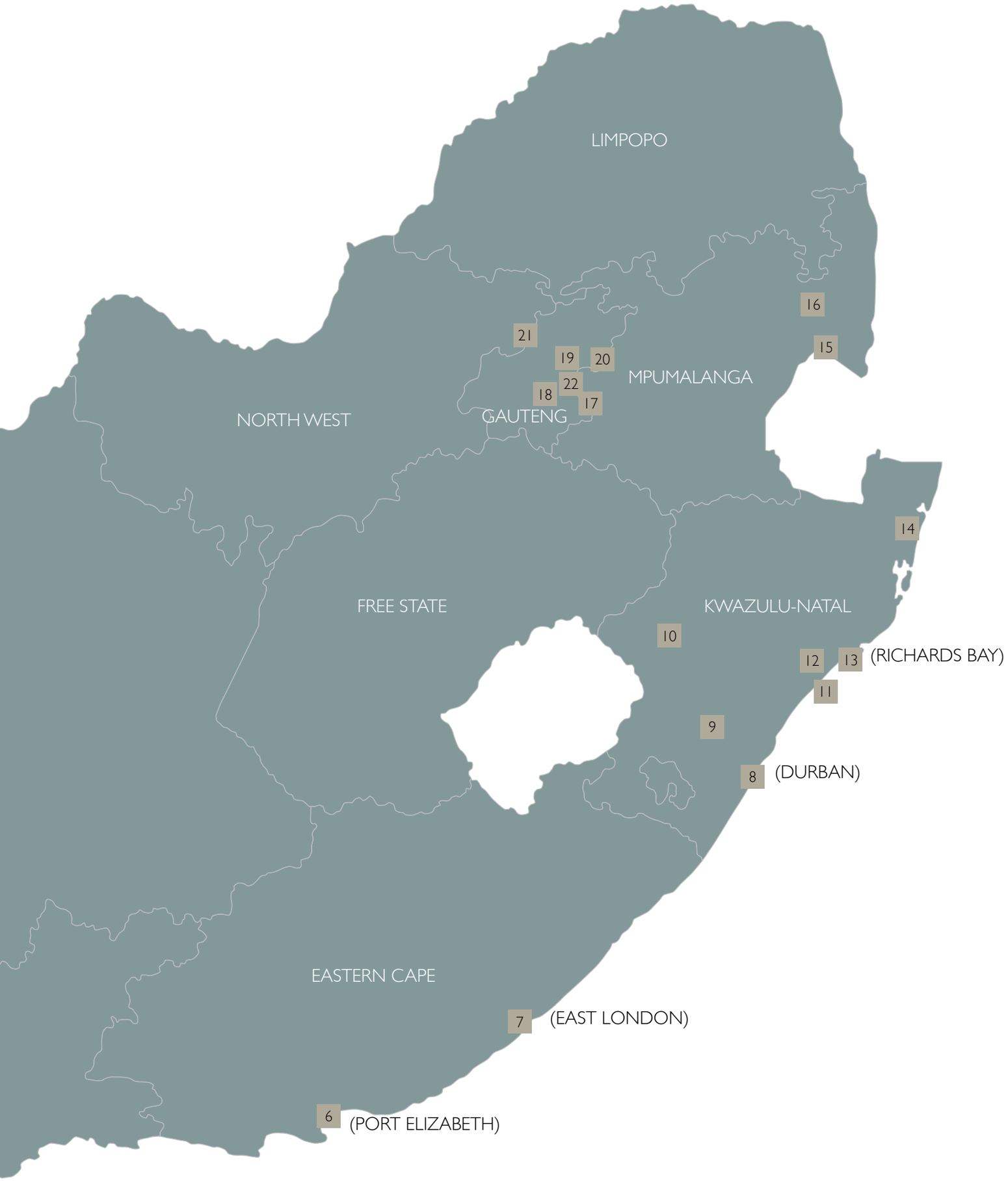
 # Including Courtyards

PROPERTY VALUE BY LOCALITY#



Gauteng 41%
Western Cape 44%
KwaZulu-Natal 11%
Eastern Cape 3%
Mpumalanga 1%

 # Excluding Courtyards


LIMPOPO
16
15
21
19
20
MPUMALANGA
22
18
17
GAUTENG
NORTH WEST
14
FREE STATE
KWAZULU-NATAL
10
12
13
(RICHARDS BAY)
11
9
8
(DURBAN)
EASTERN CAPE
7
(EAST LONDON)
6
(PORT ELIZABETH)

MANAGEMENT AND ADMINISTRATION

AFRICAN HOTELS AND ADVENTURES ("AHA")

AHA Hotels & Lodges is the property management company of Tourvest's Accommodation and Activities division. The company manages and operates 42 hotels and lodges in South Africa, Botswana, Zimbabwe, Zambia and Zanzibar. AHA drives business into its hotels and lodges through its dedicated sales, marketing and reservations team. Tourvest also owns a number of inbound operators and Travel Services companies, which are incentivised to drive business into AHA owned lodges and hotels. AHA is the tenant and hotel management company at **Kopanong Hotel and Conference Centre** and the **Inn on the Square for Hospitality.**

BIRCHWOOD HOTEL MANAGEMENT COMPANY

The tenant and management company at the **Birchwood Hotel & OR Tambo Conference Centre** is the Birchwood Hotel Management Company. The same executive team has managed the property since its inception and has continued operations through its nine expansion phases. The exclusive focus of the management company is the management of the Birchwood.

CARLSON REZIDOR HOTEL GROUP

The Rezidor Hotel Group is one of the most dynamic hotel companies in the world and a member of the Carlson Rezidor Hotel Group. The Group features a portfolio of 430+ hotels in operation and under development with 95 600+ rooms in 73 countries.

Rezidor operates the core brands Radisson Blu and Park Inn by Radisson in Europe, the Middle East and Africa (EMEA), along with the Club Carlson loyalty programme for frequent hotel guests. In early 2014 and together with Carlson, Rezidor has launched the new brands Radisson Red (lifestyle select) and Quorvus Collection (luxury). Rezidor has an industry-leading Responsible Business Programme and was awarded one the World's Most Ethical Companies by the US think tank Ethisphere.

In November 2006, Rezidor was listed on the Nasdaq Stockholm, Sweden. Carlson, a privately held global hospitality and travel company, based in Minneapolis (USA), is the majority shareholder.

Rezidor manages the **Radisson Blu Waterfront** and the **Radissson Blu Gautrain – Sandton.**

The corporate support office of The Rezidor Hotel Group is based in Brussels, Belgium. www.rezidor.com

AWARDS IN 2015:

Radisson Blu Hotel Waterfront, Cape Town: TripAdvisor 2015 "Certificate of Excellence" based on consistently outstanding feedback from TripAdvisor travellers.

CHAMPAGNE SPORTS RESORT

The tenant and management company of **Champagne Sports Resort** has been involved with the development and operations of the resort since inception. The management company also manages the timeshare component of the resort on behalf of the Champagne Shareblock company.

EXTRABOLD HOTEL MANAGEMENT

Extrabold is an independent hotel management company, which was established upon the listing of Hospitality to manage The Rosebank Hotel, as the Fund embarked on a substantial repositioning of this property. Hospitality subsequently appointed Extrabold to manage a number of its other hotels.

Extrabold manages the **Crowne Plaza, – Johannesburg, The Rosebank, Holiday Inn – Sandton, The Bayshore Inn, Protea Hotel The Winkler, Protea Hotel Hluhluwe & Safaris, Protea Hotel Imperial, Protea Hotel – The Richards and Protea Hotel Hazyview**.

Awards in 2015: Crowne Plaze Johannesburg – The Rosebank: bookings.com "Award of Excellence" and Inter Contintental Hotels Group Recognition programme, Frontrunner award 2nd Quarter 2015.

PREMIER HOTELS AND RESORTS

The **Premier Hotel King David** in East London is leased and managed by Premier Hotels & Resorts, which manage 12 hotels in South Africa, situated throughout the country. Premier Hotels & Resorts has over 20 years experience in developing and managing hotels, conference centres, boutique concept hotels and restaurants. It aims to expand nationally into hotel property development and management to provide operational expertise to steer hospitality ventures, and to develop partnerships that enable consumers to experience superior guest services.

MANAGEMENT AND ADMINISTRATION (CONTINUED)

PROTEA HOSPITALITY GROUP

Protea Hotels, founded in 1984, is the largest hotel group in Africa with more than 109 hospitality establishments in 7 countries on the African continent. The group comprises two brands, namely the Protea Hotels brand including the lifestyle brand Protea Hotel Fire & Ice and the luxury African Pride Hotels, Lodges and Country Houses brand. Protea Hotels is a six-time winner of the "Coolest Hotel Brand" and is a three-time winner of the "Top Hotel Brand Award". In April 2014, Protea Hotels sold its hotel marketing, management and franchise business to Marriott International. Marriott International, Inc (NASDAQ: MAR) is a leading lodging company based in the USA, with over 4 000 properties in 80 countries and territories. The company operates and franchises hotels and licenses vacation ownership resorts under 19 brands globally. Protea Hotels Group operates the **Arabella Hotel & Spa** and **Mount Grace Country House & Spa** under the African Pride Hotels brand. **Protea Hotel Marine** in Port Elizabeth, **Protea Hotel Richards Bay, Protea Hotel Edward** and **Protea Hotel Victoria Junction** are managed under the Protea Hotels brand for Hospitality.

AWARDS IN 2015:

Mount Grace Country House & Spa:

Winner of the 2015 Professional Six Sensational Skincare and Spalicious Recognition Award in the category of Top Spa

Hotels.com 2015 Excellent Guest Review Score (4.4 out of 5)

Les Nouvelles Hotel Spa 2014 Finalist

PROTEA HOTELS:

awarded top spot in the Hotels Category in the Ask Afrika 2015/2016 Icon Brands Survey

named the coolest hotel brand by the Sunday Times Generation Next 2015 Brand Survey Award

STARWOOD HOTELS AND RESORTS

Starwood Hotels & Resorts Worldwide, Inc. is one of the leading hotel and leisure companies in the world with more than 1 200 properties in some 100 countries and over 180 000 employees at its owned and managed properties. Starwood is a fully integrated owner, operator and franchisor of hotels, resorts and residences with the following internationally renowned brands: St. Regis®, The Luxury Collection®, W®, Westin®, Le Méridien®, Sheraton®, Four Points® by Sheraton, Aloft®, Element® and the recently introduced Tribute Portfolio™. The company boasts one of the industry's leading loyalty programs, Starwood Preferred Guest (SPG®), allowing members to earn and redeem points for room stays, room upgrades and flights, with no blackout dates. Starwood recently announced plans to spin off its Starwood Vacation Ownership, Inc. business, a premier provider of world-class vacation experiences through villa-style resorts and privileged access to Starwood brands, into a standalone public company by the end of 2015. For more information, please visit www.starwoodhotels.com.

Starwood manages The Westin Cape Town under the Westin brand for Hospitality.

AWARDS IN 2015:

Westin Cape Town: TripAdvisor 2015 "Certificate of Excellence" based on consistently outstanding feedback from TripAdvisor travellers.

SECTORAL SPREAD

GROSS RENTAL INCOME BY STAR GRADING*

Economy 22% Midscale 34% Upscale 44%

PROPERTY VALUE BY STAR GRADING*

Economy 21% Midscale 29% Upscale 50%

GROSS RENTAL INCOME BY LEASE TYPE*

Fixed 9% F&V 83% Variable 8%

PROPERTY VALUE BY LEASE TYPE*

Fixed 6% F&V 87% Variable 7%

GROSS RENTAL INCOME BY LEASE EXPIRY PERIOD*

1 – 5 yrs 24% 11 – 20 yrs 13%
6 – 10 yrs 33% 21 – 30 yrs 30%

PROPERTY VALUE BY LEASE EXPIRY PERIOD*

1 – 5 yrs 22% 11 – 20 yrs 14%
6 – 10 yrs 29% 21 – 30 yrs 35%

** Including Courtyards*

** Excluding Courtyards*

CONSOLIDATED HOTEL INCOME STATEMENT FOR F&V AND VARIABLE LEASED PROPERTIES

for the year ended 30 June

	2011 R'000	%	2012 R'000	%	2013 R'000	%	2014 R'000	%	**2015 R'000**	%
Revenue	**561 726**	**100**	**862 264**	**100**	**948 497**	**100**	**1 179 004**	**100**	**1 499 518**	**100**
Rooms	342 055	61	541 909	63	606 867	64	765 235	65	**886 832**	**59**
Food and beverage	152 796	27	248 488	29	270 937	29	334 500	28	**515 527**	**34**
Spa and beauty salon	9 482	2	17 899	2	15 318	2	16 228	1	**17 125**	**1**
Golf and safari	3 063	1	14 559	2	13 287	1	16 163	1	**19 812**	**1**
Other	54 331	10	39 408	5	42 087	4	46 879	4	**60 222**	**4**
Departmental profit (% Dept revenue)	**348 422**	**62**	**530 269**	**61**	**583 332**	**62**	**734 053**	**62**	**933 664**	**62**
Rooms	260 362	76	415 560	77	466 279	77	595 233	78	**690 446**	**78**
Food and beverage	40 206	26	82 325	33	90 325	33	110 576	33	**206 513**	**40**
Spa and beauty salon	3 233	1	5 139	1	5 049	1	5 188	1	**5 389**	**1**
Golf and safari	261	0	3 484	1	3 205	1	3 468	0	**6 393**	**1**
Other	44 361	13	23 761	4	18 473	3	19 589	3	**24 922**	**3**
Other hotel expenses	**155 202**	**28**	**233 524**	**27**	**253 155**	**27**	**312 740**	**27**	**381 192**	**25**
Administration and general	64 982	12	96 794	11	108 112	11	123 893	11	**151 742**	**10**
Sales and marketing	40 158	7	60 831	7	65 097	7	85 360	7	**102 451**	**7**
Heat, light and power	22 079	4	37 788	4	40 452	4	51 881	4	**63 516**	**4**
Repairs and maintenance	27 984	5	38 111	4	39 495	4	51 605	4	**63 483**	**4**
Management controllable profit	**193 220**	**34**	**296 744**	**34**	**330 177**	**35**	**421 313**	**36**	**552 471**	**37**
Fixed expenses	34 550	6	45 574	5	47 211	5	48 401	4	**74 757**	**5**
Management and incentive fees	25 522	5	44 030	5	49 496	5	59 538	5	**81 955**	**5**
EBITDA	**133 147**	**24**	**207 140**	**24**	**233 470**	**25**	**313 375**	**27**	**395 759**	**26**
Fixed rental	104 185	19	92 772	11	99 677	11	139 836	12	**193 208**	**13**
Variable rental	50 109	9	113 112	13	131 904	14	165 350	14	**200 686**	**13**
F&V/Variable lease income	**154 294**	**27**	**205 884**	**24**	**231 580**	**24**	**305 186**	**26**	**393 894**	**26**
Rental income reconciliation										
F&V/Variable lease income	154 294	56	205 884	63	231 580	65	305 186	72	**393 894**	**91**
Fixed lease rental income	122 749	44	120 797	37	124 756	35	121 091	28	**40 218**	**9**
Total rental income	**277 043**	**100**	**326 681**	**100**	**356 337**	**100**	**426 277**	**100**	**434 112**	**100**
Statistics										
Number of properties	26		26		27		26		**22**	
Rooms profitability	76		77		77		78		**78**	
Food and beverage profitability	26		33		33		33		**40**	
Operating profitability	62		61		62		62		**62**	
Management controllable profit	34		34		35		36		**37**	
EBITDA	24		24		25		27		**26**	

OCCUPANCY, ADR AND REVPAR ANALYSIS

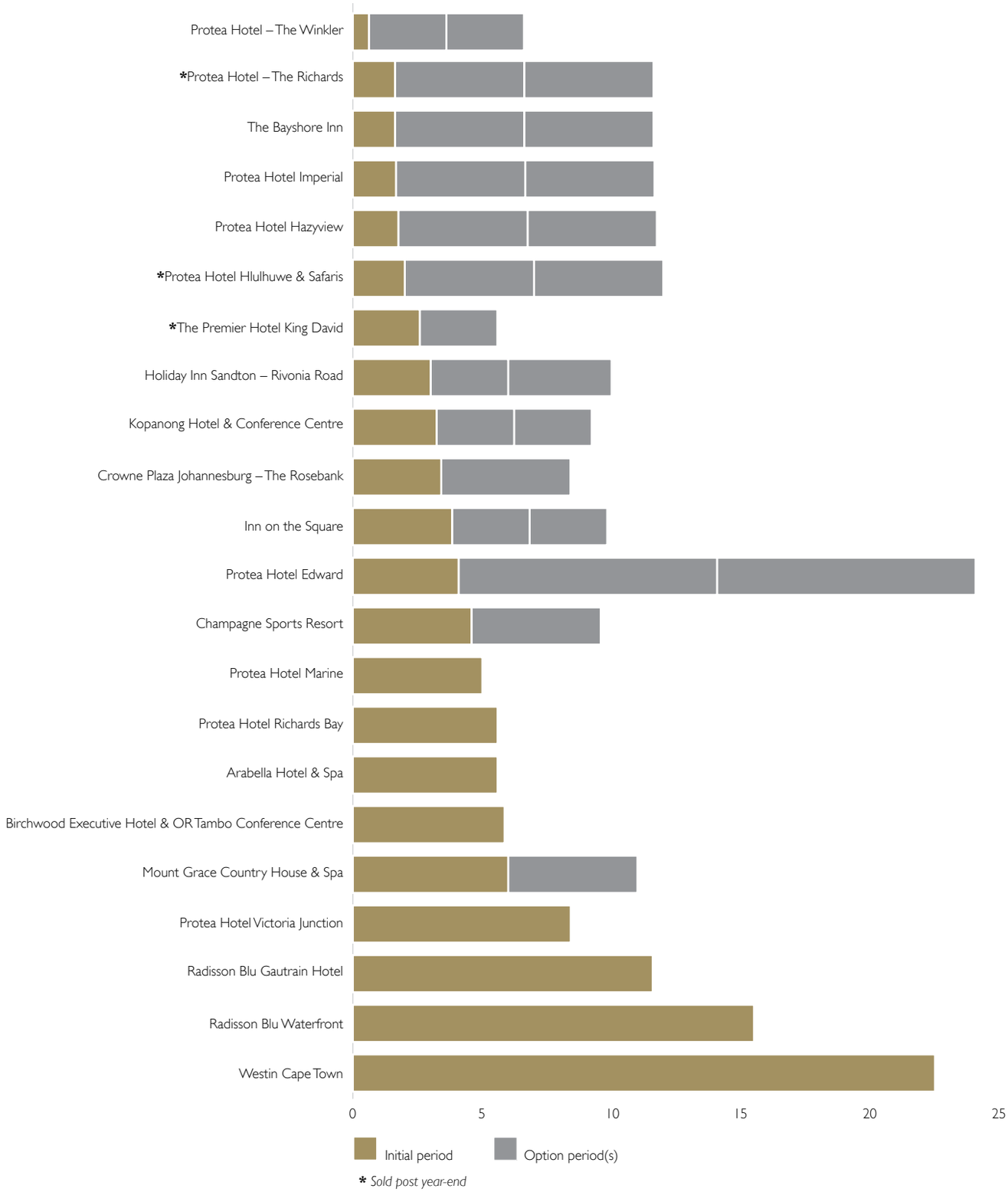
Occupancy	FY 2008 %	FY 2009 %	FY 2010 %	FY 2011 %	FY 2012 %	FY 2013 %	FY 2014* %	**FY 2015* %**
Variable	80	73	60	53	50	56	61	**61**
F&V	63	50	52	51	59	61	62	**62**
Fixed	67	58	55	45	44	45	48	**52**
Total for F&V and variable Properties	68	56	53	51	57	60	61	**62**
Total all properties	**68**	**56**	**54**	**50**	**54**	**56**	**60**	**61**
Economy	64	53	50	45	46	48	55	**56**
Midscale	71	59	57	52	58	59	59	**61**
Upscale	79	64	57	59	61	64	66	**64**

ADR	FY 2008 R	FY 2009 R	FY 2010 R	FY 2011 R	FY 2012 R	FY 2013 R	FY 2014 R	**FY 2015 R**
Variable	1 015	1 142	1 261	1 253	1 275	1 319	1 488	**1 799**
F&V	633	817	840	816	918	962	1 101	**1 153**
Fixed	574	690	820	726	703	740	1 095	**1 021**
Total for F&V variable Properties	**776**	**922**	**947**	**913**	**974**	**1 020**	**1 162**	**1 237**
Total all properties	**708**	**854**	**911**	**860**	**912**	**960**	**1 159**	**1 224**
Economy	498	609	688	623	593	619	646	**660**
Midscale	745	875	913	875	856	906	975	**998**
Upscale	1 528	1 819	1 861	1 561	1 424	1 482	1 670	**1 829**

RevPAR	FY 2008 R	FY 2009 R	FY 2010 R	FY 2011 R	FY 2012 R	FY 2013 R	FY 2014* R	**FY 2015* R**
Variable	814	839	755	665	637	742	901	**1 101**
F&V	397	407	433	416	543	586	678	**715**
Fixed	385	401	449	330	313	330	525	**535**
Total for F&V variable Properties	**530**	**512**	**506**	**470**	**560**	**613**	**714**	**766**
Total all properties	**480**	**481**	**490**	**426**	**492**	**536**	**701**	**750**
Economy	319	321	345	280	272	297	356	**372**
Midscale	528	514	517	455	494	536	576	**612**
Upscale	1 204	1 162	1 060	918	872	948	1 103	**1 179**

** Excludes conferencing hotels*

LEASE EXPIRY PROFILE (YEARS)



* *Sold post year-end*

Radison Blu Waterfront

CHAIRMAN'S LETTER

The performance of Hospitality in 2015 was impacted by a downturn in local tourism demand and a reduction in public sector conferencing, although its key properties in major metropolitan centres' robust performance lessened the impact. Meanwhile from a strategic perspective, the Board and Management made good progress towards achieving a more sustainable capital structure and completing the conversion to a REIT.

An important milestone for the Fund, albeit achieved after year-end, was obtaining the majority approval from both A and B unitholders to complete our REIT conversion. Accordingly, Hospitality will maintain the tax benefits that accrue to REITs, and strengthening the Fund's investment proposition as the only hotel REIT in South Africa. We were pleased with the outcome, which, we believe, is the most beneficial for shareholders. It resulted from active involvement and extensive debate with A and B shareholders throughout the process, clearly demonstrating their interest in preserving value for their own stakeholders.

The capital structure has been a major impediment as the objectives of different classes of unitholders has often differed depending on the situation at various times. The Board has therefore started a process to hopefully simplify our capital structure into a single class of shares and so allow Hospitality to deliver more easily on its strategic objectives in the longer term. In addition, as announced, the Fund has been in discussions with Tsogo Sun, a pre-eminent hotel operator in South Africa, on a potential transaction. This process is still at an early stage and it is therefore too early to state whether a deal will be consummated or not. However, if a transaction is concluded, it could increase Hospitality's critical mass and provide further hotel and income diversification for the benefit of Hospitality's shareholders.

We, as the Board of Hospitality, believe that good governance is of paramount importance in South Africa, and that all South African citizens are accountable for adhering to the highest ethical standards, whether they represent a private or public institution. Zero tolerance to any ethical or governance breach is inculcated into the business culture of the Fund and accordingly, we will never take the easier approach of knowingly overlooking issues. We believe that the long-term implications of not addressing issues head on erode the moral fibre at a societal level. The Board remains committed to accountability and has and will continue to fully investigate any reported breaches of fiduciary duties by employees and directors of the Fund. It was on this basis, following an extensive forensic investigation and subsequent disciplinary hearing that the previous CEO, Mr Andrew Rogers was summarily dismissed on 22 June 2015. Following this matter, we identified additional steps, which are being put in place to strengthen our policies to reduce the potential occurrence of similar issues in the future.

Management changes are inherently stressful for employees and the challenges at Hospitality in the last six months were no exception. I was impressed by the commitment shown by each member of the team in accepting the additional workload during this period as more responsibilities were delegated in order to continue "business as usual". Thank you to all concerned. This was intensified by the untimely death of Baneesha Deva Gandabhai on 22 February 2015. Baneesha was a valued member of the team since starting in her role as Operations Co-ordinator in August 2013. We were very sorry to hear of her passing and extend our sincere condolences to her family.

The investigation process highlighted concerns among staff, each of which the Board and management has committed to addressing in due course to improve the overall work environment. We also embraced a more transparent line of communication between staff and the Board, having taken cognisance that a contented workforce is critically important to business continuity. To this end, I have already met with employees on several occasions and will continue to do so.

My fellow directors willingly accepted increased demands on their time, playing an important role in ensuring business continuity during the investigation and subsequent management changes. The contribution made by each director during the investigation and subsequent management changes highlighted our diverse

Radison Blu Waterfront

skill set. In particular, we were grateful that Gerald Nelson stepped in as Acting CEO from the end of August 2015.

The appointment of Vincent Joyner as CEO and a member of the Board of Hospitality with effect from 15 September 2015 was another positive for the Fund. Vincent has an extensive and highly successful career in the hospitality industry spanning over 28 years. He spent almost 20 years of his career within the Accor hospitality group, with the last six years of his tenure as Accor Group CEO, Southern Africa.

Gerald will remain in an executive role for a period of time following Vincent's appointment, in order to facilitate the handover process.

Mr Kamil Abdul Karrim resigned as an independent non-executive director and member of the Audit and Risk and Investment Committee with effect from 31 December 2014. The Board respected his reasons, being due to a potential conflict of interest and thank him for his contribution to the Fund during his tenure, which had been from the Fund's inception.

On behalf of the Hospitality team, I acknowledge Mrs Anitha Soni who resigned from the Board on 31 March 2015, due to ill health and who sadly passed away on 16 May 2015. She had been an invaluable member of the Board since 30 June 2013 and also served as Chairman of the Social and Ethics Committee. She will be sorely missed and we extend our condolences to her family.

It was with regret that we accepted the resignation of our FD, Ridwaan Asmal to take up another position in the property sector. Ridwaan started with the Fund in 2006 and was instrumental in its growth since listing in 2006. Hospitality also owes a huge debt of gratitude to him for assuming the additional responsibility of Acting CEO, while managing the relationships with our operators during the management transition. His commitment up until his very last day on 12 August 2015 attests to his character. On behalf of all at Hospitality, I wish him every success in his future endeavours. Riaan Erasmus, who has been with the Fund since 2010 was appointed as Acting CFO. We will finalise the CFO position now that the new CEO has taken office.

A special word of thanks to our advisors, our Company Secretary and other staff who were involved in preparing the documentation for the Memorandum of Incorporation, circulars for the shareholder approval and ongoing stakeholder discussions around the REIT and capital structure and the potential Tsogo Sun transaction.

A final word of thanks to our other stakeholders, particularly our unitholders, bondholders and financiers who continue to play a vital role in supporting Hospitality. We also value the commitment and loyalty of our hotel operators, their suppliers and other suppliers, to the success of the Fund.

Don Bowden
Chairman

BOARD OF DIRECTORS

DON BOWDEN (56)

Chairman

BCom (Economics), BACC (Wits), CA(SA)

Don was appointed to the Board in August 2012. He is a non-executive director of Foord Unit Trusts and The Fruitways Group and a trustee of Molteno Brothers Trust, a charitable trust. Don was a financial services partner at Deloitte & Touche before joining BoE in 1998. At BoE he managed the investor relations, communications, and marketing and human resources portfolios for the banking group. Following the merger of BoE with Nedcor in 2002, Don assumed responsibility for communications and human resources on the Nedcor integration and restructuring team, before starting Tier 1 Investor Relations in 2003. Don was appointed as chairman of the Board on 30 June 2013. He is a member of the Remuneration Committee and chairman of the Nomination Committee.

RIDWAAN ASMAL* (43)

Financial Director

BCom (Accounting) (Wits)

Ridwaan is the financial director of Hospitality and a member of the Social and Ethics Committee. He was employed at Freestone Property Holdings, Broll Property Group and Anglo American Property Services prior to joining Hospitality in 2006. He has in excess of 20 years' experience in the listed property fund environment with specific skills in financial reporting and management as well as acquisitions and disposals.

** Mr Asmal resigned as FD effective 12 August 2015 and Mr Riaan Erasmus was appointed as acting CFO. A FD will be formally appointed once the new CEO, Vincent Joyner has settled in office.*

VINCENT JOYNER^ (47) Chief Executive Officer

BA (Honours) (Galway-Mayo Institute of Technology (Ireland))

Joint Masters – International Hospitality Management (Cornell University (USA) and ESSEC (France))

Vincent was appointed as Chief Executive Officer ("CEO") and a member of the Board of Hospitality with effect from 15 September 2015.

Vincent has a successful career in the hospitality industry spanning over 28 years. He spent almost 20 years of his career within the Accor hospitality group, with the last six years of his tenure as Accor Group CEO, Southern Africa. In 2009, Vincent formed an African hospitality consulting and investment firm, Hospitality Investment Partners Africa. At the same time, he established a not-for-profit venture, the Zazida Institute of Entrepreneurship, an accredited Private Higher Education Institution.

^ Mr Joyner was appointed subsequent to year-end and in terms of the Company's Memorandum of Incorporation will come up for re-election at the annual general meeting on 13 November 2015.

LINDA DE BEER (46)

Independent Non-executive

CA(SA), Chartered Director (SA), Masters (Taxation)

Linda is an independent director, reporting and governance advisor and adjunct professor on a part time basis, at Wits University. She is also a director on the boards of Royal Bafokeng Platinum Limited, Sasfin Bank Limited and Sasfin Holdings Limited. She, *inter alia*, serves on the King Committee on Corporate Governance and chairs the JSE's Financial Reporting Investigation Panel. Linda was appointed a director of Hospitality on 17 August 2011. She is the chairman of the Audit and Risk Committee and a member of the Nomination Committee.

ZUKO KUBUKELI (42)

Independent Non-executive

PhD (Human Biology) (UCT), BSc (Medicine) (Hons) (UCT), BSc (Biochemistry and Microbiology) (UCT)

Zuko started his career as a regional property manager of Atlas Property Services (Pty) Limited, the management company of the listed PLS, Atlas Properties Limited. From there he went on to work for Brait Specialised Funds, the hedge fund of fund unit, where he later became an executive director. Thereafter he became executive director at Pan-African Capital Holdings where he co-founded the principal investment programme and the first clean tech fund on the continent, Evolution One Fund. Zuko is currently the CEO of PAPE fund managers which manages three private equity funds, PAPE funds. He was appointed to the Board of Hospitality in June 2008. He chairs the Social and Ethics Committee and serves on the Investment and Nomination Committees.

The Board comprises the skills, knowledge and expertise to lead the Company and to provide management with strategic direction.

GERALD NELSON (60)

Non-executive
BSc Building (Wits)

Gerald stepped down as the chief executive officer of Hospitality on 30 June 2013, but remains on the Board as a non-executive director. He was first appointed to the Board prior to the listing of the Fund in 2006. He conceptualised and was actively involved with the set-up of the Fund. Prior to 2006, Gerald was the managing director of Sycom Property Fund Managers Limited and a past chairman of the Association of Property Unit Trusts. He has more than 36 years' experience in activities related to property with specific expertise in development, asset management as well as listed and directly held investment property vehicles, with a specific focus on the hotel and leisure industry for the past eight years. Gerald is a member of the investment, nomination and remuneration committees. Gerald is a director and shareholder of Grapnel Property Group and is currently involved in various local and offshore property development and investment activities.

Gerald was a non-executive director at year-end, and fulfilled the role of Acting CEO for the Fund, up until the appointment of Vincent Joyner as CEO on 15 September 2015.

WILLY ROSS (70)

Independent Non-executive
CTA, CA(SA)

Willy was appointed as an independent non-executive director in April 2007. He chairs both the Remuneration and Investment Committees. Willy has more than 32 years' merchant and investment banking experience and was, until his retirement, responsible for the Project and Structured Finance and Private Equity departments of Nedcor Investment Bank Limited as well as its Risk and Compliance functions. Post his retirement Willy has for the past 10 years served as Chairman or director on the boards of a number of listed and unlisted companies including Kagiso Media Limited, Vunani Limited and Capital Property Fund (Chairman).

SYD HALLIDAY (68)

Independent Non-executive
CAIB (SA), ACIS

Syd retired from Nedbank in 2004 where he had held various senior credit risk management positions in the property finance divisions of Nefic, Syfrets, Nedcor Investment Bank and Nedbank. Following his retirement he served as the Independent Chairman of Nedbank Corporate Property Finance's main property lending committee up to December 2012. Syd joined the Board of Hospitality on 30 June 2013 and is a member of the investment and Audit and Risk Committees. He also serves on the board of Dipula Income Fund Limited as an independent non-executive director and as a trustee of National Empowerment Property Investment Trust.

ZOLA NTWASA (37)

Independent Non-executive
CA(SA), BCom (Accounting)

Zola qualified as a Chartered Accountant (SA) in 2003 after having completed a Postgraduate Diploma in Accounting at the University of Natal (Durban) and a Bachelor of Commerce degree at the University of Cape Town. She is the founder and an executive director of Jade Capital Partners. Zola was previously a director of Standard Bank Group Limited's Real Estate Finance division, heading up its New Business team and an investment banker, having held roles in Standard Bank's BEE Finance division and in Corporate Finance at Investec Bank Limited. She is the past chair of the Women's Property Network (Gauteng) and a member of SAPOA, SAIBPP and SAICA. She was appointed to the Board of Hospitality as an independent non-executive director on 8 July 2013 and serves as a member of the Audit and Risk Committee.

ECONOMIC AND BUSINESS OVERVIEW

The year to 30 June 2015 was positive for the listed property sector, which rallied higher to reach a peak in April 2015, driven by lower bond yields and strong earnings posted by JSE listed companies.

GLOBAL ECONOMY AND HOSPITALITY SECTOR

According to the World Bank, the global economy grew at a moderate pace of 2.6% in 2014. This was slightly up from 2013. Growth was supported by a modest revival in the Eurozone and a recovery in India, diminishing the effect of slowdowns in China and Japan. Economic output in the Eurozone rose 0.9%, having contracted 0.5% in 2013. The US economy maintained its growth of 2.3% in 2014 while the expansion in China slowed to 7.4%.

The South African economy continues to lag global growth, with GDP rising 1.5% in 2014 (2013: 2.2%). According to the South African Monetary Policy Committee ("MPC"), which raised the repurchase rate by 25 basis points to 6.0% in July 2015, the domestic growth outlook has deteriorated in the face of power shortages, ongoing labour unrest and rising unemployment as well as weak consumer and investor confidence. Accordingly it revised its 2015 GDP growth forecast to 2.0%, rising marginally to 2.1% in 2016.

According to the United Nations World Tourism Organisation, international tourist arrivals rose 4.4% worldwide in 2014 with the Americas recording the strongest growth (8.0%), followed by Asia and the Pacific and the Middle East (both +5%). Arrivals in Europe and Africa grew 3% and 2% respectively. By contrast, the growth in total number of foreign visitors to South Africa continued tailing off in 2014, showing only a marginal increase of 0.1% (2013: 4.7%).

Hospitality, which had benefited from a strong tourism recovery in the prior year, was impacted by a slowdown in public sector and corporate

Reduced foreign demand and new visa requirements seriously impacts on SA tourism.

travel and conferencing demand since July 2014. This was exacerbated by lower foreign demand, led by fears regarding the Ebola outbreak in West Africa, although there were no reported cases in South Africa. Figures from Stats SA show the number of tourist arrivals declined 7.2% between February 2014 and February 2015. Although China accounts for only 4% of international tourism to SA, it's seen as a huge potential growth market. In addition, the new visa regulations for non-visa exempt countries, necessitating biometric data to be provided in person to South African consulates, came into effect in October 2014 and further negatively impacted travel to the country.

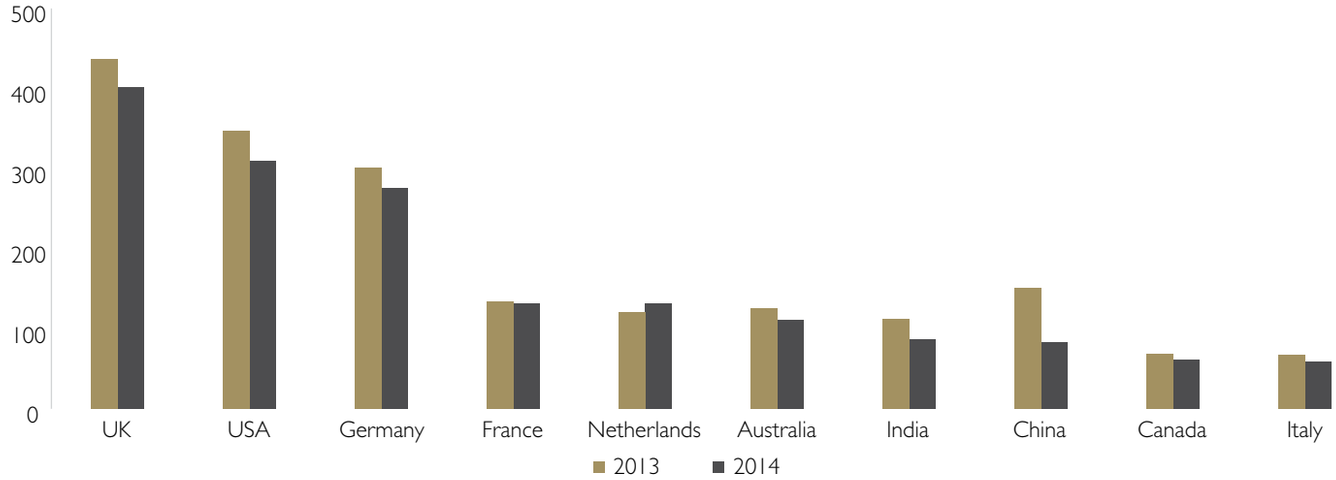
The February 2015 Stats SA figures do not yet reflect the new child visa requirements for travel to South Africa which were introduced in mid-2015. However, figures released by the International Air Transport Association (Iata) show that in July 2015 there was a 21% decline in year-on-year air ticket revenue for tickets purchased to travel to SA. The effects for the hospitality sector have been the subject of rigorous debate across the industry. While the rationale for these new regulations, being to combat child trafficking, has not been questioned, the implementation and consequences have been widely discussed. The South African Cabinet responded to the public outcry by setting up an inter-ministerial task team in July 2015 to review the impact and find balanced solutions that support the objectives of all stakeholders.

Air access, another important driver of tourist arrivals, was impacted during the year as South African Airways ("SAA") cancelled its Beijing and Mumbai routes. However, Qatar Airways introduced a new non-stop service between Doha and Cape Town in late 2014 and SAA started flights to Abu Dhabi while Emirates introduced a fourth daily flight between Johannesburg and Dubai.

ECONOMIC AND BUSINESS OVERVIEW (CONTINUED)

Visitors from the UK and US continue to rank as the top source markets of foreign visitors from non- African countries in 2014, although they shrank by 7.9% and 11.0% respectively. Of the top ten source markets, only the Netherlands showed positive growth in 2014, of 8.7%. China, previously the fourth largest source market, declined by 45.1% in 2014 (2013: +14.1%).

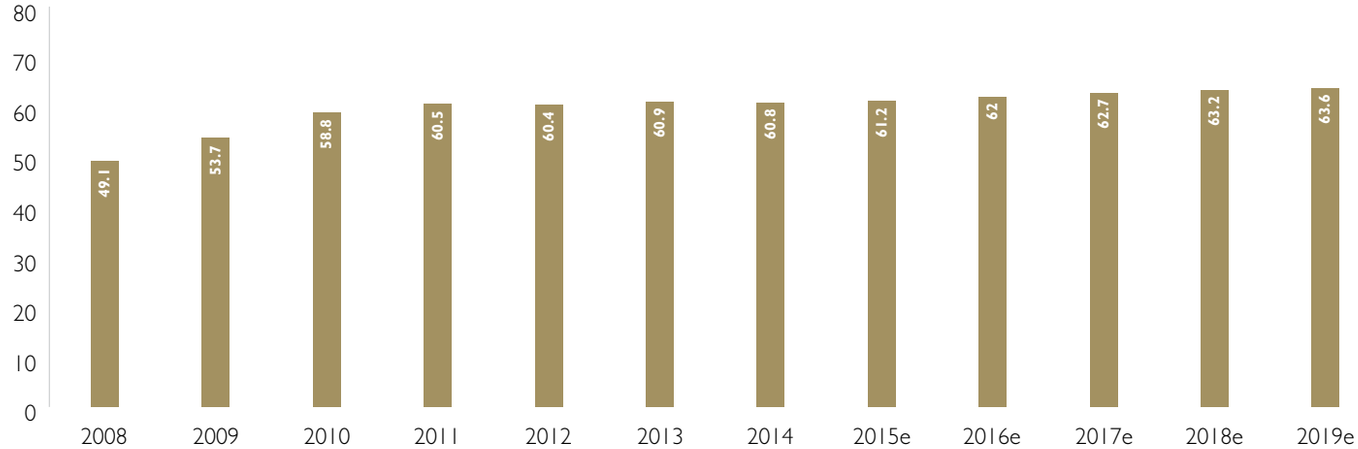
TOP TEN FOREIGN OVERNIGHT VISITORS (R MILLION)



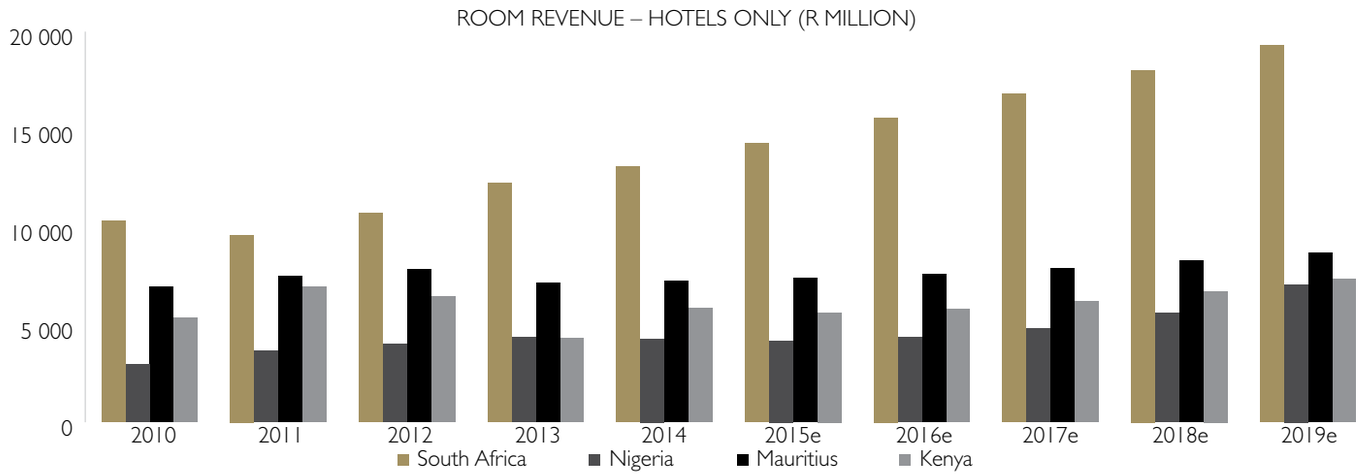
Sources: Statistics South Africa

Reflecting slower domestic business travel demand and the unchanged number of foreign arrivals in 2014, total hotel room revenue growth in South Africa slowed to 6.9% in 2014 (2013: 14.6%). It is anticipated to recover to about 8.9% in 2015 (PWC), driven by room rates.

AVAILABLE ROOMS IN SOUTH AFRICA (000s)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

According to the Smith Travel Research (STR) Global South Africa Hotel Review, overall occupancies in South Africa for all hotels for the 12 months ended 30 June 2015 increased by 0.8% to 62.8% compared to the previous year. The average daily rate (ADR) increased by 5.9% daily to R1 051 over the same time horizon, resulting in RevPAR growth of 6.8%. PwC estimates that stay unit nights increased 3.6% in 2014 and that occupancies increased to their highest level in seven years, due largely to no additional rooms being rolled out in the last three years. Looking forward, PwC estimates that during the 2015 calendar year, available rooms will grow at 0.7%, mainly from new hotels coming on stream.

According to the IMF, the outlook for global economic growth in the year ahead is marginally down on 2014, as a result of weak recoveries in the Eurozone and Japan as well as a negative outlook for China and Russia. Economic growth in South Africa is expected to continue lagging global growth with the Monetary Policy Committee ("MPC") forecasting 2.0% in 2015, and rising marginally to 2.1% in the following year. With regard to the outlook for interest rates in the year ahead, the MPC stated that it is mindful of the fragile state of the domestic economy and despite being in a rate hiking cycle, future moves will be dependent on the prevailing economic data at the time. The MPC forecasts that inflation will average 5.0% in 2015, rising above 6.0% in the first half of 2016.

These factors have culminated in a reticence among traditional financial institutions to extend credit to hotel owners and developers. However, having launched its medium term note programme in the last year and with its strong relationships with key bankers, Hospitality has to a certain extent been shielded from this trend.

LISTED PROPERTY SECTOR OVERVIEW

The combined market capitalisation of the 32 counters in the South African-listed property sector was R429 billion at the end of June 2015.

The year to 30 June 2015 was positive for the listed property sector, which rallied higher to reach a peak in April 2015, driven by lower bond yields and strong earnings posted by JSE-listed companies. Interest in the sector was also renewed by several new listings and increased foreign investment as several funds joined global indices. The subsequent correction was led by weak economic growth and the threat of rising interest rates as well as corporate activity, which started showing signs of dying down.

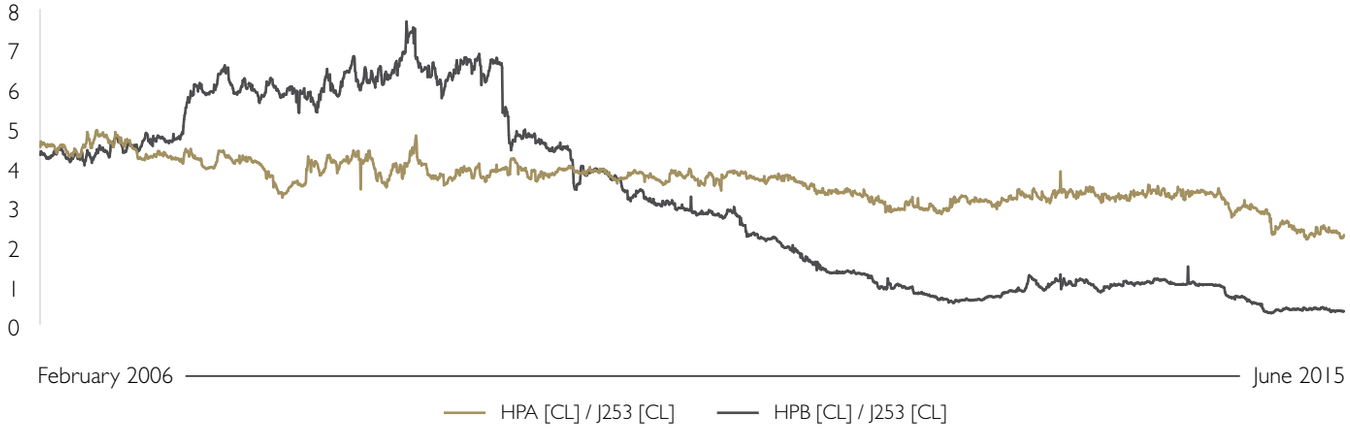
	12 months to	
Asset Class Returns	**June 2015**	June 2014
SA Listed Property[1]	**26.98%**	5.97%
SA Bonds[3]	**8.21%**	5.48%
SA Cash[4]	**6.27%**	5.45%
SA Equities[2]	**4.79%**	32.74%

[1]SA Listed Property Index, [2]All Share Index, [3]All Bond Index, [4]STEFI

ECONOMIC AND BUSINESS OVERVIEW
(CONTINUED)

For the 12 months to June 2015, SA Listed Property recorded the highest total return of 26.98%, compared to 5.97% in the prior 12-month period. In contrast, SA Equities showed a significant decline in total return of 4.79% to June 2015 compared to 32.74% in the prior 12-month period. SA Cash and Bonds showed single digit returns of 6.27% and 8.21% for the 12 months to June 2015 respectively.

HOSPITALITY LINKED UNIT PRICE RELATIVE TO LISTED PROPERTY INDEX (J253)



Kim Irmler – Chief analyst

HOSPITALITY COMBINED A- AND B- LINKED UNIT PRICE CHANGE VERSUS TRAVEL AND LEISURE INDEX CHANGE

EXECUTIVE FUND OVERVIEW

INTRODUCTION

The hospitality trading environment which was buoyant at the start of the 2015 financial year, experienced a slump after the first quarter (page 32 provides further details). This was exacerbated by factors including an increased perceived risk of travelling to South Africa during the outbreak of Ebola, implementation of the new South African visa requirements, a decline in government travel and conferencing, as well as electricity supply constraints.

Against this backdrop, the Fund reported a decline in distribution per combined linked unit of 7.7% to 161,36 cents compared to the prior year, comprising the A-linked unit distribution of 148,21 cents (up 4.9%) and the B-linked unit distribution of 13,15 cents, which is down 60.7%.

The tough hospitality trading conditions provided further justification of the Fund's strategy to invest in large hotels in major metropolitan centres with international hotel operators, and the decision to dispose of non-core properties in outlying areas. Its core properties, including recent acquisitions in Sandton and the Western Cape were more resilient than those in outlying areas.

TRADING ENVIRONMENT

The STR Global South Africa Hotel Review (as found on page 35) reflects the slowdown experienced by the hotel industry in the year under review, with a reported year-on-year increase in occupancy of 0.8% to 62.8% and average daily rates ("ADR") rising 5.9% to R1 051. The revenue per available room ("RevPAR") grew 6.8% for the year ended 30 June 2015, compared to RevPAR growth of 11.1% in the prior year.

The Fund's occupancy for that portion of its portfolio which is subject to variable rental income and excluding conference hotels (hotels where the revenue generated from conferencing exceeds rooms revenue) was slightly behind the industry at 61.0% (2014:61.4%). Its overall ADR grew by 6.1% to R1 236 and RevPar increased by 4.9% to R754.

	Occupancy			ADR			RevPar		
	FY2015	FY2014	Variance	**FY2015**	FY2014	Variance	**FY2015**	FY2014	Variance
Core	**65.6%**	65.4%	0.3%	**1 355**	1 274	6.4%	**889**	833	6.7%
Non-core	**50.0%**	49.4%	1.2%	**722**	718	0.6%	**361**	355	1.8%
Total	**62.0%**	61.4%	1.0%	**1 237**	1 162	6.5%	**767**	713	7.5%

(excluding fixed lease and conference hotels).

The contribution from foreign tourism to the Fund's total revenue is approximately 36%, of which 21% comprises foreign aircrews, while the split between leisure, business and conferencing is 29%, 40% and 32% respectively.

The slower RevPAR growth reflects the downturn in the domestic hospitality sector that affected the performance of the Fund after the third quarter of calendar 2014. According to PwC, room availability has been virtually flat in the last three years, creating support for room rates, which was the main driver of RevPAR growth. Occupancies increased only marginally in the last 12 months.

Insofar as the Fund's fixed lease properties are concerned, Management constantly monitors and interacts with its tenants in order to maintain a full understanding of their underlying business performance and evaluate the serviceability of rentals.

CAPITAL STRUCTURE

Hospitality has an equal number of A- and B-linked units in issue which are listed on the JSE Limited (JSE) under the "Financials – Speciality REITs" sector:

- A-linked units trade have a preferential claim to earnings with capped growth at the lower of CPI or 5% from the entitlement in the prior comparable period.
- B-linked units receive the balance of the distribution.

The B-linked units carry a higher inherent risk as they are not only geared to the trading conditions but further leveraged by the preferential claims that the A-linked units enjoy. This provides excess returns during periods of strong distribution growth but they are similarly negatively impacted when earnings are under pressure.

The simplification of the capital structure is dealt with in the Chariman's report.

Hospitality was awarded REIT status by the JSE Limited ("JSE") on 1 July 2013. In order to maintain its REIT status and ensure that it may continue to benefit from the tax efficiencies granted to REITs as set out in section 25BB of the Income Tax Act, the Company is required to comply with section 13 of the JSE Listings Requirements.

The JSE granted the Fund dispensation until 30 September 2015 to comply with the gearing requirement of section 13 of the Listings Requirements which requires total consolidated IFRS liabilities of a REIT not to exceed 60% of its consolidated IFRS assets. Hospitality proposed the restructuring of the Company's linked unit capital structure to a simple "all share" structure by way of a scheme of arrangement in terms of sections 114 and 115 of the Companies Act, 71 of 2008 at a Special General Meeting held on 21 August 2015. The result of the meeting was overwhelming support from both A and B linked untiltholders for the implementation of the transaction.

PROPERTIES AND LEASES

Hospitality's properties are categorised as follows: core hotel properties, conference hotel properties and non-core properties.

Core portfolio

The Fund's core property portfolio comprises of 13 properties namely: Radisson Blu Waterfront, Arabella Hotel & Spa, Crowne Plaza Johannesburg – The Rosebank, Holiday Inn Sandton – Rivonia Road, Inn on the Square, Mount Grace Country House & Spa, Protea Hotel Edward, Protea Hotel Marine, Protea Hotel Victoria Junction, Radisson Blu Gautrain, Westin Cape Town, Birchwood Hotel and OR Tambo Conference Centre and Champagne Sports Resort.

The core properties all have fixed and variable (F&V) leases, with the exception of Champagne Sports Resort, which currently has a fixed lease.

The core property portfolio recorded gross rental income of R395,8 million, accounting for 91% of total rental income.

EXECUTIVE FUND OVERVIEW (CONTINUED)

Conference portfolio

The Fund's conference property portfolio comprises two properties namely: Birchwood Hotel & OR Tambo Conference Centre and Kopanong Hotel & Conference Centre.

Both conferencing properties have F&V leases.

The conference property portfolio recorded gross rental income of R63,5 million, accounting for 14% of total rental income.

Non-core portfolio

At year-end, the Fund's non-core property portfolio comprised eight properties namely: Premier King David, Protea Hotel Hazyview, Protea Hotel Hluhluwe & Safaris, Protea Hotel Imperial, Protea Hotel Richards Bay, Protea Hotel – The Richards, Protea Hotel – The Winkler and The Bayshore Inn.

During the year, the Fund disposed of its interests in four other non-core properties, namely the Courtyard Arcadia, Courtyard Eastgate, Courtyard Rosebank and Courtyard Sandton.

Subsequent to year-end, the Fund disposed of Protea Hotel Richards Bay, Premier King David and Protea Hotel Hluhluwe & Safaris.

The non-core properties all have F&V leases, with the exception of Premier King David[1] which operates under a fixed lease.

The non-core property portfolio recorded gross rental income of R38,2 million, accounting for 9% of total rental income.

RESULTS

The Fund reported rental income growth of 1.8% to R434,1 million (2014: R426,3 million). Like-for-like rental income (adjusted for the conversion of Birchwood from a fixed to F&V lease, the disposal of the Courtyard interest and the acquisition of additional sectional title units at Radisson Waterfront) increased by 7.7%.

In addition to the downturn that affected the whole hospitality sector, factors specific to the Fund, which impacted its performance, were as follows:

- The prior year rental income was boosted in December 2013 by R10 million as foreign dignitaries travelled to South Africa to pay tribute to late President Nelson Mandela;
- The impact of the conversion of the lease at Birchwood on expiry from a fixed to a F&V lease was more acute than had been anticipated, being R27,4 million lower than prior year and R17,6 million down on forecast. This was due to a downturn in conferencing demand in both the public sector and corporate client base.
- At the Mount Grace Country House & Spa, lower demand for public sector and mid-week conferencing negatively affected its performance by R3,5 million on last year and R8 million on forecast.

These factors were somewhat ameliorated by continued strong demand at the Fund's properties in the Western Cape, in both the business and leisure sectors. In addition, the Radisson Blu Waterfront benefited from the acquisition of additional units that increased its share of the rental pool by 19% to 54%.

Fund expenses were flat on last year at R40,6 million. This was due in part to lower management incentive bonuses of R1,3 million (2014: R2,9 million), reflecting the Fund's 2015 performance as well as debt raising fees which decreased by R1,7 million. In addition an early debt repayment penalty of R4,9 million paid to Absa Bank in 2014 had an impact. An amount of R2,0 million was incurred on the forensic investigation and legal cost in relation to the dismissal of the previous CEO, Mr Andrew Rogers.

Net finance costs increased 10.0% to R160,9 million (2014: R146,3 million), in line with higher debt levels to fund acquisitions and capital projects, higher swaps contracted for and an increase in the repo rate of 25 basis points in July 2014.

Distributable earnings per combined linked unit declined by 7.7% to 161,36 cents (2014: 174,80 cents). The A-linked unit distribution of 148,21 cents (2014: 141,35 cents) recorded a 4.9% increase. The reported distribution of the B-linked unit decreased by 60.7% to 13,15 cents (2014: 33,45 cents).

The following table reflects the operating financial results for year ended 30 June 2015 compared to the previous financial year and the forecast released on 20 August 2014:

[1] *Rentals under fixed lease agreements are determined by commercial lease terms with inflation linked escalations.*

	Actual 2015 R'000	Actual 2014 R'000	Variance R'000	Variance %	Forecast 2015 R'000	Variance R'000	Variance %
Contractual rental	**434 112**	426 276	7 836	1.8	**463 508**	(29 396)	(6.3)
Fund expenses	**(40 674)**	(40 524)	(150)	(0.4)	**(40 532)**	(142)	(0.4)
Net finance costs	**(160 888)**	(146 326)	(14 562)	(10.0)	**(161 127)**	239	0.1
Taxation	**(116)**	(181)	65	35.9	–	(116)	(100.0)
Income from associates	**203**	238	(35)	(14.7)	–	203	100.0
Debenture interest	**(232 815)**	(239 483)	6 668	2.8	**(261 849)**	29 034	11.1
A-linked unit	**(213 845)**	(194 652)	(19 193)	(9.9)	**(213 693)**	(152)	(0.1)
B-linked unit	**(18 970)**	(44 831)	25 861	(57.7)	**(48 156)**	29 186	0.0
Distribution – A-linked unit (cents)	**148.21**	141.35	6.86	4.9	**148.43**	(0.22)	(0.1)
– Interim	**73.33**	69.83	3.50	5.0	**73.33**	–	0.0
– Final	**74.88**	71.52	3.36	4.7	**75.10**	(0.22)	(0.3)
Distribution – B-linked unit (cents)	**13.15**	33.45	(20.30)	(60.7)	**33.45**	(20.30)	(60.7)
– Interim	**9.12**	19.25	(10.13)	(52.6)	**16.40**	(7.28)	(44.4)
– Final	**4.03**	14.20	(10.17)	(71.6)	**17.05**	(13.02)	(76.4)
Combined distribution (cents)	**161.36**	174.80	(13.44)	(7.7)	**181.88**	(20.52)	(11.3)
– Interim	**82.45**	89.08	(6.63)	(7.4)	**89.73**	(7.28)	(8.1)
– Final	**78.91**	85.72	(6.81)	(7.9)	**92.15**	(13 24)	(14.4)
Number of linked units	**144 286**	138 150	6 136	4.4	**143 970**	316	0.2

However, in three separate trading statements, published on 25 November 2014; 22 May 2015 and 29 July 2015, the Fund provided additional guidance given weaker trading across the hospitality sector. The actual 2015 distributions are in line with the latest trading update.

FUNDING

The Group's debt facilities with financial institutions as at 30 June 2015 amounted to R1,94 billion. Total funds drawn on these facilities were R1,86 billion resulting in a loan to value (LTV) ratio (total interest-bearing liabilities/investment properties plus properties held for sale) of 36.2% (2014: 36.7%). The interest cover ratio was 2,45 which is well within the minimum covenant level of 2,00 required by the debt providers.

The weighted average cost of borrowings was 9.12% (2014: 9.14%) for the period under review with 67% of the Group's borrowings being subject to fixed interest rates.

EXECUTIVE FUND OVERVIEW (CONTINUED)

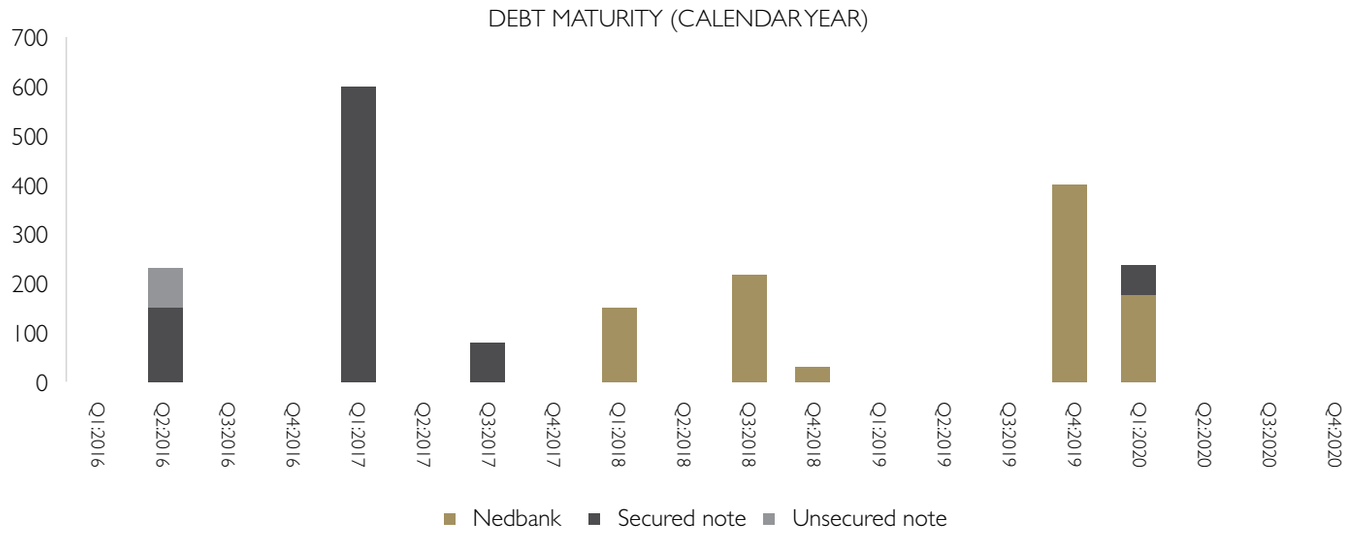
	Facility	Interest rate	Repayment date
Nedbank – Property Facility			
Loan 1	176 300 000	3-month JIBAR plus 2.67%	Feb 2020
Loan 2	400 000 000	3-month JIBAR plus 2.8%	Oct 2019
Loan 3	30 250 000	3-month JIBAR plus 2.85%	Oct 2018
Loan 4	150 000 000	3-month JIBAR plus 2.38%	Feb 2018
Loan 7	67 000 000	3-month JIBAR plus 2.38%	July 2018
Loan 8 (Revolving loan)	150 000 000	3-month JIBAR plus 2.75%	July 2018
	973 550 000		
Corporate bonds			
Secured – HPF 01	150 000 000	3-month JIBAR plus 1.82%	April 2016
Unsecured – HPF 03	80 000 000	3-month JIBAR plus 2.7%	April 2016
Secured – HPF 04.1	300 000 000	3-month JIBAR plus 2.0%	Feb 2017
Secured – HPF 04.2	100 000 000	3-month JIBAR plus 2.0%	Feb 2017
Secured – HPF 05	200 000 000	Fixed at 9.89%	Feb 2017
Secured – HPF 06	60 000 000	3-month JIBAR plus 2.8%	Feb 2020
Secured – HPF 07	80 000 000	3-month JIBAR plus 2.25%	Aug 2017
	970 000 000		
Total	1 943 550 000		

	Facility	Interest rate	Expiry
Swaps/Fixed			
Nedbank swap 1	150 000 000	Collar swap – Floor 6.0%/Ceiling 9.09%	Sep 2016
Nedbank swap 2	150 000 000	Vanilla swap – 6.4%	Oct 2016
Nedbank swap 3	100 000 000	Vanilla swap – 7.05%	Sep 2017
RMB swap 2	346 667 000	Vanilla swap – 7.96%	July 2016
RMB swap 3	250 000 000	Collar swap – Floor 6.65%/Ceiling 9.20%	Feb 2016
RMB swap 4	100 000 000	Vanilla swap – 7.05%	Sep 2017
Secured – HPF 05	200 000 000	Fixed at 9.89%	Feb 2017
	1 296 667 000		
% hedged of total debt	67		

An additional five-year secured note for R60 million and a 2.5-year secured note for R80 million were issued in February 2015. The proceeds were utilised to repay the R40 million unsecured note that matured in April 2015 and to fund the capital expenditure programme for FY2016.

When issuing new debt the Group endeavours to optimally spread the maturity to minimise its exposure to large debt maturities in any single year.

The Fund thanks Nedbank, RMB, Bowman Gilfillan and investors in the note programme for their continued support and assistance in restructuring and enhancing the Fund's debt facilities.



PROPERTY PORTFOLIO

The Fund's portfolio comprises interests in 22 hotel and resort properties in South Africa. As at 30 June 2015, the carrying amount of the portfolio was R5,1 billion.

The net asset value (NAV) per linked unit as at 30 June 2015 was R11,74, an increase of 3.7% from 2014. The combined market value at the end of the year traded at a 32% discount to the NAV. The weighted average lease expiry period is 10.77 years.

ACQUISITIONS AND DISPOSALS

The Fund's strategy is to invest in large hotels in major metropolitan centres with recognised hotel operators and to dispose of properties in non-metropolitan areas.

The non-core properties that the Fund has identified for disposal were more severely affected by the slowdown in the hospitality sector. Accordingly, the Fund has expedited the disposal of these properties, valued at R329,2 million through a combination of direct sales and auctions. This will unlock additional capital resources for core property acquisitions and/or repayment of debt. The Fund disposed of its interest in the Courtyard portfolio to City Lodge on 1 May 2015 for R80,0 million which was in line with its carrying amount. Also, sale agreements were concluded for Protea Hotel – The Richards for R46 million, Protea Hotel Hluhluwe & Safaris for R14,5 million and The Premier Hotel King David for R28 million respectively. Transfer of the properties took place during the months of August to October 2015.

A sale agreement was also concluded in respect of Protea Hotel Imperial (subject to a suspensive condition). Negotiations for the disposal of the remaining non-core properties are ongoing.

The renegotiation of the new fixed and variable lease at Birchwood from 1 July 2014 included the investment by the Fund of a further R60 million in the property for a 35% undivided share in 215 rooms, funded through the issue of linked units to the sellers.

The Fund invested R76,6 million to acquire additional units at the Radisson Blu Waterfront, increasing its share of the rental pool by 19% to 54%. The acquisition was funded by a combination of debt and equity.

EXECUTIVE FUND OVERVIEW (CONTINUED)

DEVELOPMENTS AND CAPITAL PROJECTS

The Fund continued to upgrade several of its properties during the period, as follows:

- Refurbishment of 167 rooms at Birchwood for R20,7 million to support the hotel's initiatives to attract additional corporate clients, including the relaunch of a section of the hotel as "The Silverbirch Hotel".
- Four new rooms and public areas were added at the Radisson Blu Gautrain and the public areas were upgraded, with a total investment of R15,4 million.
- R13,2 million was invested to reposition the Mount Grace Country House and Spa with the construction of a mountain cycling club and children's entertainment facilities.
- The Radisson Blu Waterfront conference facilities and public areas were refurbished, costing R9,4 million.
- An outdoor swimming pool, with an investment of R7,2 million, was completed at The Westin Cape Town to enhance the appeal of the hotel to the leisure market.

The quality of the Fund's core properties continues to provide a solid platform for future income growth. The Fund is cognisant of future refurbishment projects that will attract additional capital investment.

The Minister of Western Cape Local Government, Environmental Affairs and Development Planning granted Hospitality approval to develop Phase 2 of Arabella Country Estate subject to compliance with certain conditions and administrative processes. Furthermore, the Competent Authority for the Administration of the Land Use Planning Ordinance, 1985, approved the rezoning and subdivision of the property, which includes 352 residential erven, a private nature reserve and a nine-hole executive mashie golf course with associated infrastructure. Management and the Board continue to explore the various options available to the Company, in order for it to realise a financial benefit from Arabella Phase 2.

PORTFOLIO AND ASSET MANAGEMENT

Hospitality's portfolio is diversified (page 10 to 13) in terms of geographic location, grading, fixed and variable income, lease expiry profile, market mix and brands. However, it is the Fund's portfolio and asset management expertise which ensures its long-term ability to deliver on the return potential of these assets whilst mitigating the inherent risks.

Selection of the tenants, management company and the hotel brand, which are best suited to a specific property, is crucial to effectively manage the operational risks and maximising the performance of each hotel. Conclusion of leases with tenants is preceded by a formal process to establish the best fit between the hotel property, tenant and brand to ensure optimal performance of the property. Proposals are initially obtained from selected tenants and are evaluated by the investment committee who makes a recommendation to the Board for final approval.

Tenant default is a potential financial risk to the Fund, but can be effectively mitigated by monitoring the property's underlying trading conditions with regular and formal engagement. Ingrained in Hospitality's operating model is its philosophy of building long-term relationships with tenants to develop an intimate understanding of their businesses and performance. The Fund engages monthly with its tenants through meetings and formal reports. In addition, extensive peer group benchmarking, statistical analysis and reviews of economic trends are conducted by the Fund and the findings are shared with tenants to optimise the performance of the properties.

Among the challenges in the current operating environment are the substantial increases in overhead costs, particularly administered prices such as electricity, water and municipal rates. As these costs are not under the control of the Fund, the focus is on proactively managing consumption through energy and water-saving initiatives (see pages 70 to 72 for more details).

The management of labour costs, especially against the backdrop of prevailing wage settlement levels, generally exceeding inflation, is an ongoing challenge.

Centralised procurement platforms have been formalised at most of the hotels to negotiate bulk supply arrangements with major suppliers to minimise the cost of consumables.

The Fund has developed various structures enabling it to effectively manage the variable income properties and these are actively used to enhance analysis, forecasting, cost control measures and improve productivity.

- Reservations status: Information relating to the exact reservation status for each given time period and each market segment enables detailed analysis and forecasting. These reports are distributed daily to the Hospitality team.
- Revenue management: The use of a Property Management Software system that includes all guest information facilitates effective forecasting and accurate pricing. Recent additions hereto are the Food & Beverage benchmarkings reports for the Fund's larger operations.
- High-quality forecast tools: Proprietary Software that provides accurate daily, weekly and monthly forecasts is a pre-condition for good short- and long term planning.
- Sales and marketing reviews: Effective use of the sales reporting tools and overview of the statistical data provided monthly by the operating companies and measuring the performance of the various sales teams. Recent additions hereto are the Pace reports and STR Global Bandwidth reports for all the Fund's Hotels.

- STR competitor analysis and performance benchmarks are evaluated monthly to ensure the competitors remain relevant and the Fund's properties are outperforming these properties.
- Operational management: Monthly operational reviews occur at all the major units within the Fund with quarterly reviews occurring at outlying and fixed lease units. Interactions are also held on a quarterly basis together with the Executive Management of the Hotel Operating Companies to ensure strategies are aligned and that global best practices are maintained at all the Fund's properties.
- Mystery guest visits and guest satisfaction reporting tools have been recent additions to the monthly review processes with operations.
- Financial reporting: Detailed monthly reporting together with monthly financial reviews allows timeous intervention in the event of divergence from the business plans. Benchmark statistics are used to enhance performance by the various management companies. Full balance sheet reviews are undertaken monthly.
- Facilities management: Monthly operational review inspections take place at all the major units within the Fund together with quarterly reviews at the outlying units and fixed lease properties. The management action plans are reviewed at these meetings and reassessed for relevance and in accordance with the risk management programmes in place at the hotels.
- Risk management reviews: These reviews are conducted every six months at the major properties. The remainder of the Fund's properties are reviewed annually – these management action plans form part of the ongoing facilities management reviews.

LIQUIDITY

During the year, 33.9% of the A-linked units and 79.1% of the B-linked units were traded on the JSE Limited. Hospitality's shareholder analysis can be found on page 132.

PROSPECTS

The performance of the Fund in the year ahead will largely be driven by the hospitality trading environment. Management expects occupancies to grow in line with domestic GDP growth with room rates increasing slightly ahead of the prevailing CPI rate. Furthermore inflationary pressures on salaries and wages as well as utility costs could impact hotel expenses in 2016. The core properties in Sandton and the Western Cape have been more resilient in the recent downturn and should dampen the impact of any continued downturn. The Fund will continue to actively pursue the disposal of its remaining non-core properties.

Hospitality's underlying performance for the 2016 financial year will be impacted by a renewal of the lease at Champagne Sports Resort. Due to escalations in the fixed rental since 2006 the rental at expiry is significantly higher than market which will result in a reversion of approximately R7 million per annum. Furthermore there will be a requirement to refurbish the hotel in order to maintain market share.

No further fixed rental income reversions will occur following the restructure of the Champagne lease.

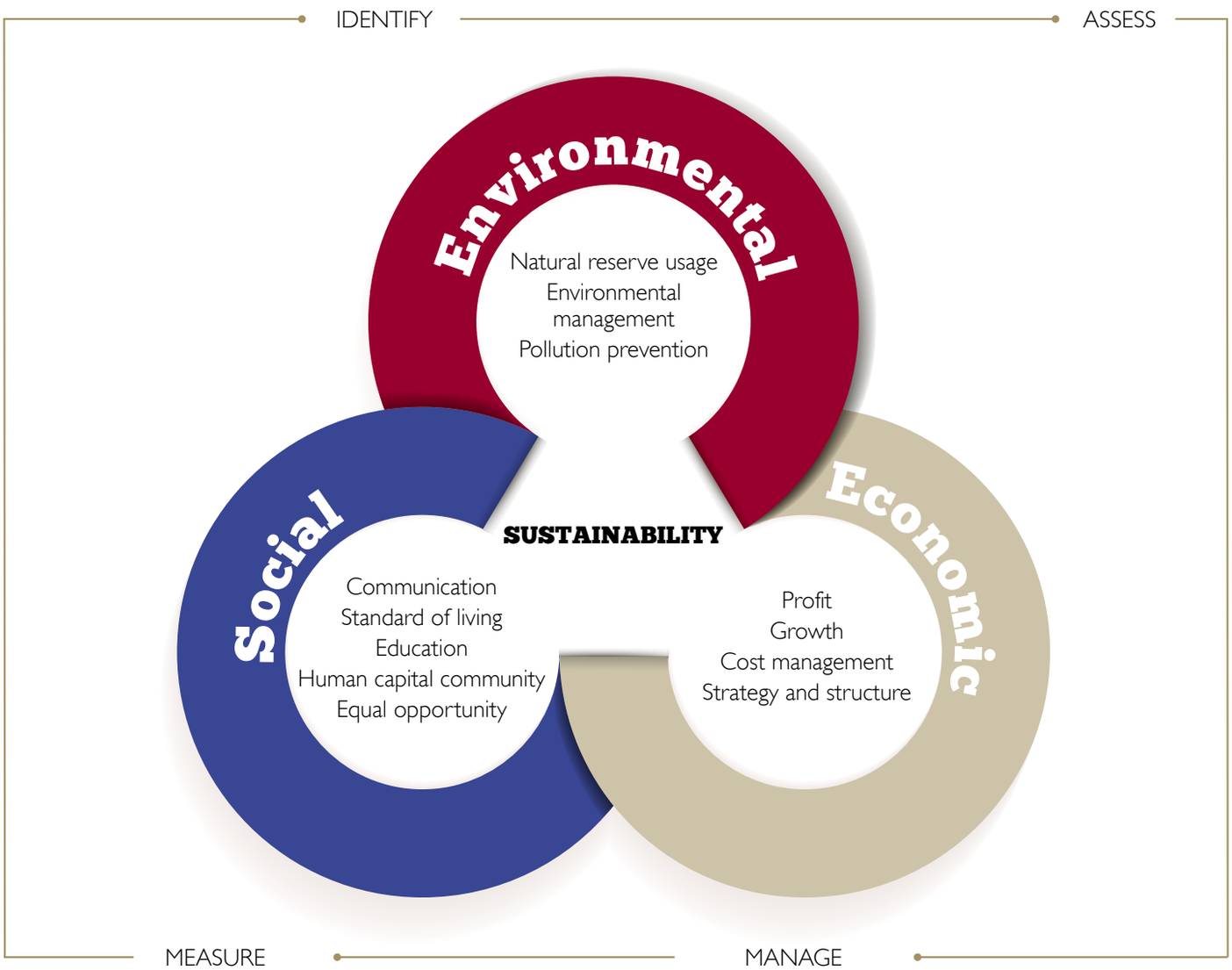
From left to right – Operations – William McIntyre, Christy Quibell, Leon Meyer, Aneke Kleynhans and Mario Monica

INTELLECTUAL CAPITAL

CORPORATE GOVERNANCE AND RISK

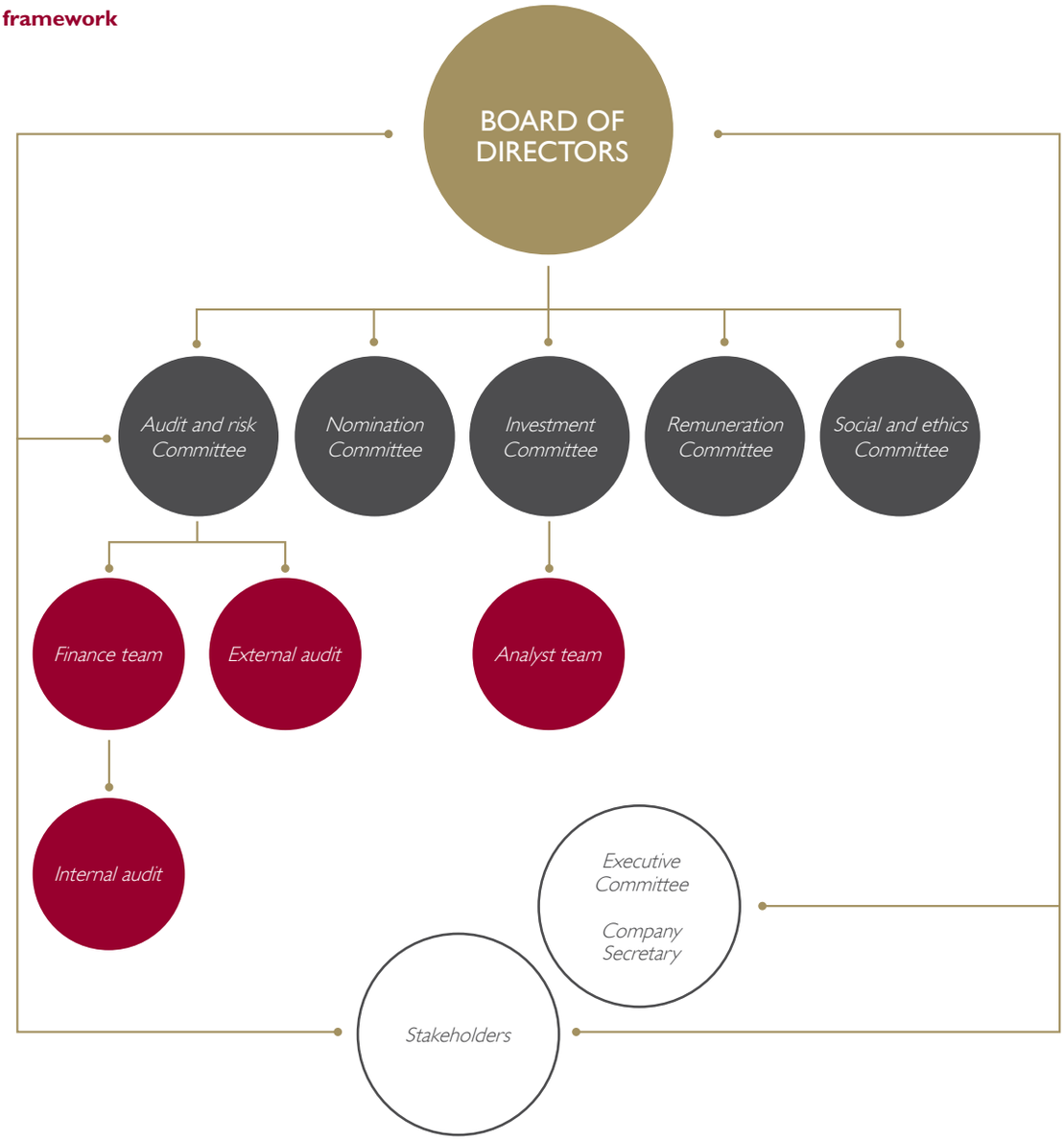
RESPONSIBILITY FOR GOVERNANCE

The Board is the focal point of corporate governance for the Company and its subsidiaries ("the Group"). It takes responsibility and ensures the establishment of structures and processes to create a governance framework for responsible leadership and the sustainable success of the Group. It recognises that strategy, risk, sustainability and performance are all linked.



The guiding principles set in King III are continuously considered for application throughout the Group. Existing policies and procedures are reviewed and where necessary new policies are adopted and implemented in order to strengthen governance and its processes within the Group. The application of the King III principles is set on pages 55 to 57.

Governance framework



THE BOARD AND ITS COMMITTEES

Changes in Board composition

After serving on the Board since the inception of the Fund, Mr Kamil Abdul Karrim resigned as an independent non-executive director with effect from 31 December 2014, in order to avoid potential conflicts of interest and to pursue other business interests. Mr Abdul Karrim served on the Audit and Risk and Investment Committees.

Mrs Anitha Soni resigned as an independent non-executive director due to ill health and sadly passed away on 16 May 2015.

CORPORATE GOVERNANCE AND RISK (CONTINUED)

Mr Andrew Rogers was dismissed as Chief Executive Officer and therefore resigned from the Board on 22 June 2015. Due to unrelated reasons, Mr Ridwaan Asmal, Financial Director and Acting Chief Executive Officer resigned from the Board effective 12 August 2015. Both directors resigned from the Committees of which they were members, being the Investment Committee for Mr Rogers and the Social and Ethics Committee for Mr Asmal.

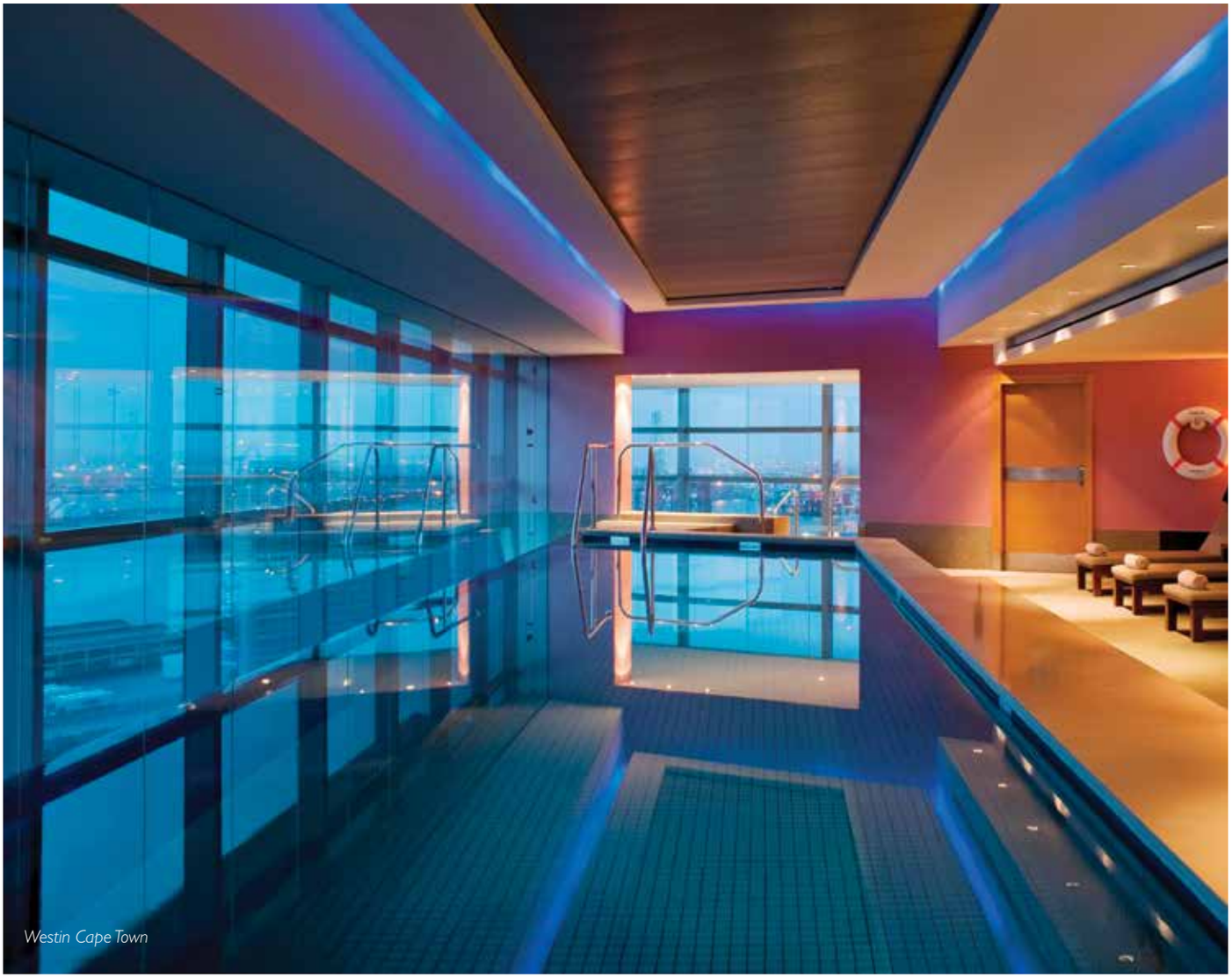
Mr Riaan Erasmus, the former Group Financial Manager, took on the role as acting Chief Financial Officer. He has not been appointed to the Board.

Mr Gerald Nelson, who was the CEO of the Company until his retirement in June 2013 and who was until recently a non-executive director on the Board, was the Acting CEO until the appointment of Mr Vincent Joyner as CEO on 15 September 2015. Mr Nelson continues in an executive role for a period of time following Mr Joyner's appointment, in order to facilitate a smooth handover.

Composition, roles, responsibilities and focus areas

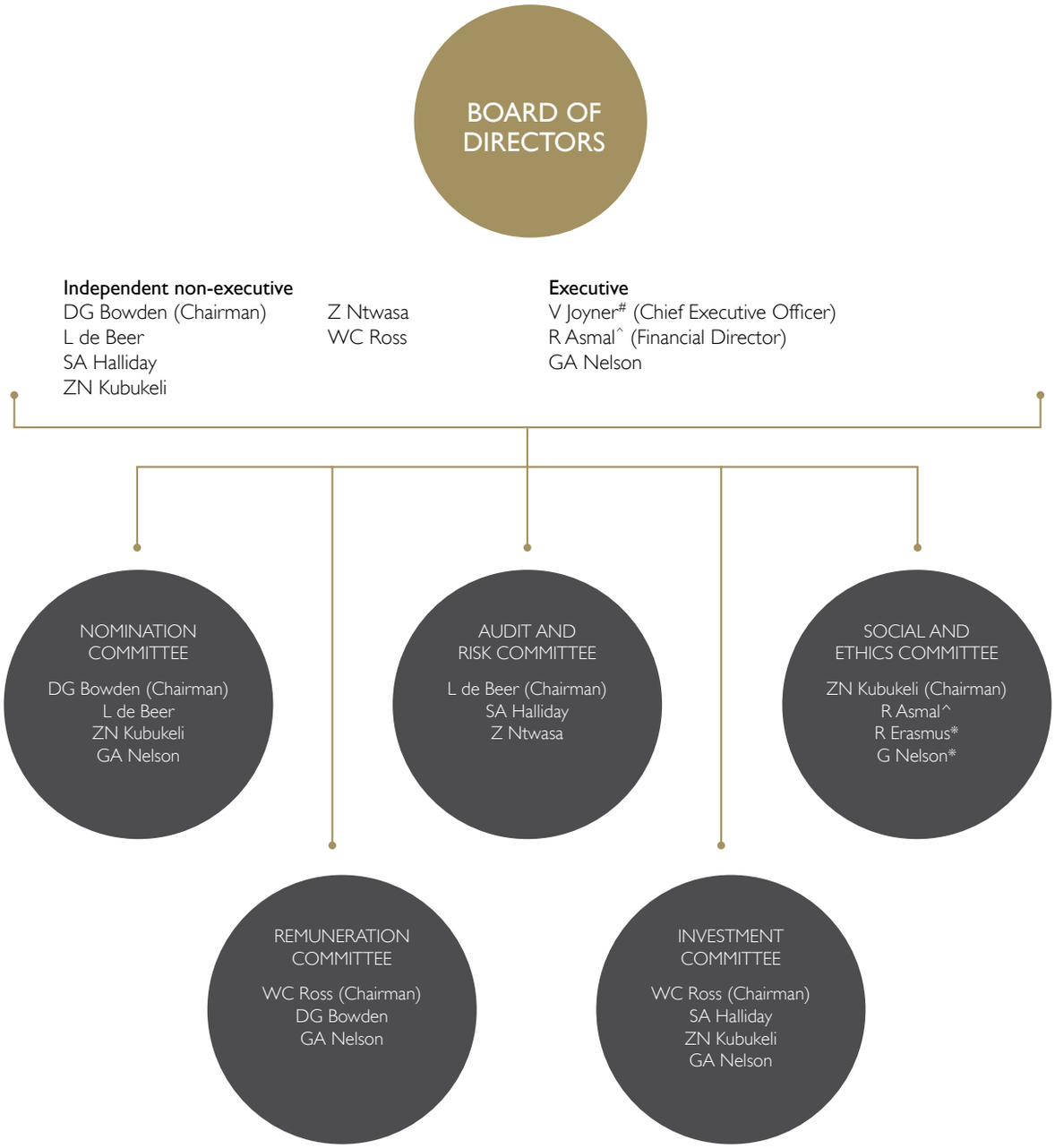
At year-end the Board comprised six independent non-executive directors and two executive directors.

The Board meets at least four times a year and holds an annual strategy session. During the 2015 financial year, the Board met five times.



Westin Cape Town

Board and committee composition



** Appointed as members on 21 August 2015*
^ Resigned 12 August 2015
 # Appointed 15 September 2015

CORPORATE GOVERNANCE AND RISK (CONTINUED)

The Board and every Board Committee operates within its defined terms of reference and the Fund's Memorandum of Incorporation ("MOI"). The MOI was amended at a General Meeting of Shareholders on 21 August 2015 and a copy thereof can be found on the Company's website at http://www.hpf.co.za.

Terms of References are annually reviewed by the Board in order to ensure compliance with best practice and alignment with changing legislation. The Board and every Board Committee is chaired by an independent non-executive director. Committee chairmen report back to the Board at its quarterly Board meetings.

The table below contains summaries on the roles and responsibilities of the Board and the Board Committees. Key focus areas for 2015 included the following, which was completed during the financial year:

- On 21 August 2015, Hospitality received the requisite approval from both classes of A and B shareholders and debenture holders for the conversion of its linked unit structure to a share only structure, by way of a Scheme of Arrangement in terms of section 114 and 115 of the Companies Act, 2008. The result being, that on implementation, Hospitality's gearing levels would meet the applicable requirements of section 13 of the JSE Limited Listings Requirements, in order for the Company to continue to be classified as a REIT.
- An independently conducted whistle-blower reporting line was successfully introduced. Awareness campaigns were run at every property, so that Hospitality's head office and every hotel within its portfolio, now have the means of reporting any incidence of bribery, corruption, theft, intimidation, or other unethical conduct. For further details on the Ethics line refer to the Social and Ethics Committee report on page 54.

Key focus areas for 2016 are line with 2015, with certain items being expanded:

	Summary of roles and responsibilities	Members	Meeting attendance (includes a strategic session)
Hospitality Board	**Role and responsibilities of the Chairman** • Provide leadership to the Board and the Company. • Responsible for the effective functioning of the Board and its Committees. • Acts as a direct liaison between the Board and the management of the Company, through the CEO. • Directors and management have unrestricted access to the Chairman. **Role and responsibilities of the Board** • Accountable to shareholders and acts in the best interest of the Company. • Exercises control of the Group and provides leadership and strategic direction. • Monitors the implementation of strategies by management in order to create sustainable results. • Sets the ethical standard of conduct for the Group. • Ensures the implementation of a Group risk management framework. • Monitors the Group's performance. **Key focus areas for 2016** • Ensuring that the necessary policies and processes are adopted and implemented and ensuring that the Board and staff (where applicable) receive the necessary introduction to and training on the implementation of these polices and processes. • Further entrench risk management in the Group. • Continuing to explore the possibility of converting the Company's capital structure to a single class of share. • Oversee shareholder and stakeholder relationships. • Monitor the level of hedging and debt maturity profile of the Fund. • Consider the current size of the Board, its composition and the requirement for specific skills and expertise on the Board and its Committees. • Considering opportunities to enhance the value creation ability of the fund through corporate action.	DG Bowden (Chairman) KH Abdul Karrim * R Asmal L de Beer SA Halliday ZN Kubukeli GA Nelson ZN Ntwasa AS Rogers # WC Ross A Soni ^	5 of 5 1 of 1 5 of 5 5 of 5 5 of 5 5 of 5 5 of 5 5 of 5 4 of 5 5 of 5 1 of 3

	Summary of roles and responsibilities	Members	Meeting attendance (includes a strategic session)
Audit and Risk Committee	**Role and responsibilities of the Committee** • Reviews the Group's financial statements and oversees integrated reporting. • Carries out its statutory duties set out in section 90 of the Companies Act, 2008. • Satisfies itself of the expertise and experience of the Financial Director ("FD") and the Fund's finance function. • Considers and recommends the risk policy, framework and plan to the Board for approval and monitor the implementation thereof; • Assists the Social and Ethics Committee with its responsibility of monitoring ethics by overseeing the Company's fraud and anti-corruption policy and process. • Oversees the external audit process. • Review annual budget and forecasts. The Audit and Risk Committee report can be found on page 78. **Meetings and conduct** • The Chairman of the Board, CEO, FD, Financial Manager and external auditor attend Committee meetings by invitation. • The external auditor has unrestricted access to the Committee and its Chairman. • The external auditor meets with the members of the Committee bi-annually to report their findings to the Committee without members of the Executive Committee in attendance. **Key focus areas for 2016** • Further enhancement of risk management and the risk identification process. • Expanding the reach and independence of an internal audit function. • Review procurement policies and processes. • Oversee the strengthening of the finance team.	L de Beer (Chairman) KH Abdul Karrim * SA Halliday ZN Ntwasa	4 of 4 1 of 1 4 of 4 4 of 4
Investment Committee	**Role and responsibilities of the Committee** • Considers the viability of capital projects, strategic and operational plans, structuring of borrowings, acquisitions and disposals of property in-line with the Company's strategy and objectives and the effect it may have on the Fund. • Authorise and approve transactions and projects and to recommend feasible proposals to the Board for ratification. **Meetings and conduct** • The Financial Director and Chief Analyst attend meetings by invitation.	WC Ross (Chairman) KH Abdul Karrim * SA Halliday ZN Kubukeli GA Nelson AS Rogers #	5 of 5 1 of 1 5 of 5 5 of 5 5 of 5 4 of 5

** Resigned 31 December 2014*

 # Dismissed 22 June 2015

CORPORATE GOVERNANCE AND RISK (CONTINUED)

	Summary of roles and responsibilities	Members	Meeting attendance (includes a strategic session)
Nomination Committee	**Role and responsibilities of the Committee** • Ensures the Board has the appropriate composition and balance of skills for it to execute its duties effectively. • Ensures that the appointment of directors are transparent and made through a formal process. • Identify and evaluate potential candidates for appointment to the Board. • Ensures that induction and ongoing training and development of directors take place. • Considers succession for the Board and executive management. **Key focus areas for 2016** • To enhance succession planning within the Group. • Focus on the enhancement of annual Board and Committee assessments at an individual and collective level. • Review new directors' induction process.	DG Bowden (Chairman) L de Beer ZN Kubukeli G A Nelson	2 of 2 2 of 2 2 of 2 2 of 2
Remuneration Committee	**Role and responsibilities of the Committee** • Oversees the setting of remuneration policies for the Group. • Ensures that directors and executives are remunerated fairly and responsibly. • Evaluates the performance of the CEO and executive directors and sets annual key performance indicators. • Recommends the remuneration of non-executive directors to shareholders for approval. **Key focus areas for 2016** • Consider the effectiveness of the current long-term incentive scheme. • Consider current remuneration principles and alignment thereof with industry and King III principles.	WC Ross (Chairman) DG Bowden GA Nelson	1 of 1 1 of 1 1 of 1

	Summary of roles and responsibilities	Members	Meeting attendance (includes a strategic session)
Social and Ethics Committee	**Role and responsibilities of the Committee** The role of the Committee is to assist the Board with the oversight of environmental, social and ethical matters relating to the sustainability of the Company. These include: • employment equity and transformation; • monitoring stakeholder relationships; • human capital management; • ethics management; • safety; • environment; • health; • anti-corruption; and • the carrying out of its statutory duties in compliance with the Companies Act, 2008. **Key focus areas for 2016** • Ensure that the necessary human resource policies and procedures are implemented at headquarters. • Monitor progress on social and human capital management. • Changes to B-BBEE and Sector Codes and impact on the Fund scorecard. The statutory report of the Committee can be found on page 59.	ZN Kubukeli (Chairman) R Asmal ❖ A Soni ^	4 of 4 4 of 4 0 of 3

^ *Resigned 31 March 2015*

❖ *Resigned 12 August 2015*

COMPANY SECRETARY

The Company Secretary is responsible for the statutory administration of the Group and ensures that all regulations and governance codes are observed. She supports the Board in performing its functions and ensures that Board and Committee processes and procedures are implemented. She provides guidance to directors on governance, compliance and their fiduciary duties.

Directors have unrestricted access to the advice and services of the Company Secretary.

The Company Secretary coordinates the induction programme for newly appointed directors, as well as the annual Board and Committee assessments.

Rosa van Onselen is the appointed Company Secretary. She has 16 years' experience in company secretariat, which includes 10 years with listed entities.

She is not a member of the Board and the Board is therefore satisfied that an arm's length relationship exists between the Board of directors, the executive team, individual directors and the Company Secretary.

The Board has performed an assessment of the Company Secretary and has agreed that she is suitably qualified, competent and experienced to hold her position.

CORPORATE GOVERNANCE AND RISK (CONTINUED)

STATEMENT OF INTERNAL CONTROLS

The Group has established and maintains financial and operational systems of internal control to support the reliability of financial statements, ensure that transactions are concluded in accordance with Management's authority, are accurately recorded and that the Group's assets are appropriately protected against material losses, unauthorised disposals or acquisitions.

These systems include policies and procedures regarding authorisation and the segregation of duties. Internal controls over key risk areas are monitored by Management. In the current year a limited scope of internal controls were assessed by external audit. Control deficiencies identified are reported to the Audit and Risk Committee and are addressed and the necessary corrective actions taken.

The Board takes responsibility for the Company's internal controls. At this point in time no written independent assessment of internal controls are obtained as the internal audit function is still in early stages of development. In 2016, focus will be placed on expanding on the internal audit function, as reported above.

Delegation of authority

The formal delegation of authorities is set out in the terms of reference of each Committee of the Board as well as to Management. Authority limits to conduct the daily operations of the Company have been approved by the Board and management acts within these authorities.

Whistle-blowing

A whistle-blowing channel is in place at Group and hotel operator levels and is independently managed by Deloitte. All tip-offs are investigated, followed up, resolved and reported to the Social and Ethics Committee.

Code of ethics

The ethical character and morals of Hospitality are set by the Board and flow through to Management, who are tasked to lead by example.

The code of ethics adopted by the Board, is underpinned by supporting policies which include the conflicts of interest and independence policies.

Assurance of the Integrated Report

The Board has reviewed and approved the integrated report after satisfying itself with of the accuracy and integrity of the report.

The process of integrated reporting is still evolving and at this early stage thereof the Group has not sought external verification of the content or part thereof beyond the annual financial statement. The external auditor, KPMG Inc. has provided assurance on the Financial Statements as confirmed in the independent auditors report.

Application of King III

In compliance with the guidance note on corporate governance, issued by the JSE Limited on 31 January 2013, the report below addresses the application of the principles contained in Chapter 2 of the King Code and highlights areas of non or partial compliance for the period under review.

Every one of the 75 King principles are addressed in the form of a register on the Hospitality website http://wwww.hpf.co.za

Principle		Status	Application
Boards and directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	(Refer to page 46 – Responsibility for governance.)
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	(Refer to page 46 – Responsibility for governance). The Board controls the Group and provides leadership and strategic direction, with the purpose that the fulfilment of its strategies will create sustainable results for the Group and its stakeholders. The Board holds an annual strategy session with Management. The sustainability of the Group and their major service providers are considered by the Board.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	See principle 1.1 of the King III register on the Hospitality website. http://www.hpf.co.za
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	See principle 1.2 of the King III register on the Hospitality website. http://www.hpf.co.za
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	Refer to page 54, "Code of ethics" and see principle 1.2 and 1.3 of the King III register on the Hospitality website. http://www.hpf.co.za
2.6	The Board should ensure that the Company has an effective and independent audit committee.	Applied	(Refer to page 51). The Board is comfortable with the effectiveness of the Company's Audit and Risk Committee. The report of the Audit and Risk Committee can be found on page 78 of the 2015 Integrated Report and confirms that the committee has fulfilled its duties as set out in the Companies Act, its terms of reference and King III.
2.7	The Board should be responsible for the governance of risk.	Applied	(Refer to page 64 – Risk Management). Key risk areas have been reported. These risks are assessed and revised as part of the Group's strategy and the economic and business environment in which it operates change. Management is responsible for constant monitoring of risks and for the implementation of processes to manage risks.
2.8	The Board should be responsible for information technology ("IT") governance.	Partially applied	The Audit and Risk Committee oversees the governance of information technology as part of its monitoring of the Group's risk framework. Management is responsible for the monitoring of information technology governance at head office level and also reviews information technology governance at its hotels and report back to the Audit and Risk Committee on this. Due to the hotels being in possession of extensive customer information, policies and procedures have been implemented to protect this data. In 2016 greater emphasis will be placed on IT governance from an internal audit perspective. Reporting on IT governance to the audit committee will also be further refined.

CORPORATE GOVERNANCE AND RISK
(CONTINUED)

Principle		Status	Application
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Partially applied	The Group's Audit and Risk committee as well as its Social and Ethics Committee assist the Board in ensuring compliance with applicable laws and regulations. Although the Group has no dedicated compliance function, every line manager takes responsibility for ensuring compliance with relevant laws, codes and standards. Reporting to the Board is being refined through the implementation of the Group's Integrated Risk Management Approach ("IRMA"), as set out under the Risk Report on page 64.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Partially applied	(Refer page 54 – Statement of internal controls). Limited scope internal audit functions have been implemented at hotels and are monitored by management and reported on to the Audit and Risk Committee. Currently internal audit focus mainly on operational and financial risks and is not yet at the required level. This will be enhansed on in future.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	(Refer to page 60.)
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	(Refer to page IFC – Scope of this report and page 54 – Assurance of the Integrated Report.)
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Partially applied	(Refer to page 54 – Statemtn of internal controls.)
2.14	The Board and its directors should act in the best interests of the Company.	Applied	Directors act within the Company's terms of reference and Code of ethics. The Company Secretary ensures that the directors are aware of their fiduciary duties. Directors declare any conflicts of interest they may have in any particular transaction and/or decision and are recuse from all discussions and involvement pertaining to such transactions and/or decisions. Directors may only deal in the Company's securities in accordance with the Group's share dealing policy and directors' independence is assessed annually.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Companies Act.	Applied	The Audit and Risk Committee and Board monitor the solvency and liquidity and going-concern status of the Group quarterly. Management constantly monitors debtor levels and report thereon quarterly to the Audit and Risk Committee. The Group has to remain within specific financial covenants in terms of facility agreements in place with its bankers. Management constantly monitors risks and report thereon to the Audit and Risk Committee. (Refer to page 64 – Risk Management). The Audit and Risk Committee reports quarterly to the Board.
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the Board.	Applied	The Board is chaired by an independent non-executive director. The CEO and Chairman of The Board are different individuals.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The Chief Executive Officer has been appointed by the Board. Refer to page 54. (Refer to page 54 – Delegation of Authority.)

Principle		Status	Application
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	(Refer to page 49 – Board and Committee composition.)
2.19	Directors should be appointed through a formal process.	Applied	(Refer to page 52 – Role and responsibilities of the Nominations Committee.)
2.20	The induction and ongoing training and development of directors should be conducted through formal processes.	Applied	(Refer to page 52 – Role and responsibilities of the Nominations Committee.)
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	(Refer to page 53 – Company Secretary.)
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	Applied	(Refer to page 50.)
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied	(Refer to page 50.)
2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	Applied	The same governance structure has been adopted throughout the Hospitality Group of companies. The Group structure can be found on page 5.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	(Refer to page 61.) Remuneration disclosure in the remuneration report was further enhanced in the current year.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	Applied	(Refer to page 117.)
2.27	Shareholders should approve the Company's remuneration policy.	Applied	The Group's remuneration policy is proposed to shareholders for a non-binding advisory vote at the AGM. The Group's remuneration policy was endorsed by shareholders at its prior AGM. Shareholders have requested more detailed information and disclosure on the Group's remuneration policy. This is included on page 61.

CORPORATE GOVERNANCE AND RISK
(CONTINUED)

Requirement	Principle	Approach
3.84(a)	There must be a policy detailing the procedures for the appointment to the Board. Appointments must be formal and transparent and a matter for the Board as a whole, assisted where appropriate by a nomination committee. If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the chairman of the Board.	The policy for Board appointments is set out in the terms of reference of the Nomination Committee. Appointments to the Board are dealt with in a formal and transparent manner by the Board as a whole. Appointments are made on recommendations by the Nomination Committee, following an assessment of any prospective director's qualifications, abilities and experience so as to make a meaningful contribution to the Board and its committees. The composition of the Nomination Committee is set out on page 52. The committee is chaired by the chairman of the Board.
3.84(b)	There must be a policy evidencing a clear balance of power and authority at Board level to ensure that no one director has unfettered powers.	Our Board Charter and MOI demonstrates that there is a clear balance of power and authority at Board level and that no one director has unfettered powers. Decisions, if not unanimous, are taken by a simple majority with one vote per director. The Chairman does not have a deciding vote. Authority limits to conduct the daily operations of the Company have been approved by the Board and management acts within these authorities.
3.84(c)	Issuers must have a CEO and a Chairman and these positions must not be held by the same person. The Chairman must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.	The CEO and Chairman positions are held by different individuals. The Chairman is an independent non-executive director.
3.84(d)	Issuers must appoint an audit committee in compliance with the King Code.	Hospitality has a combined Audit and Risk Committee. Its composition is set out on page 51. The committee currently has three members, all of whom are independent non-executive directors, as set out in the King Code. The Chairman of the Board is invited to attend committee meetings.
	Issuers must appoint a remuneration committee in compliance with the King Code.	Hospitality's Remuneration Committee has three members, two of whom are independent non-executive directors. Details of the Committee's composition, role and responsibilities can be found on page 52
	Where appropriate, issuers must appoint a risk and nomination committee.	Hospitality has a combined Audit and Risk Committee and a Nomination Committee. Details of the Committees' composition, roles and responsibilities can be found on pages 51 and 52
	The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Brief descriptions of the mandates of these committees and the number of meetings held during the year are available on pages 51 and 52.

Requirement	Principle	Approach
3.84(e)	Brief CV of each director standing for election or re-election must accompany relevant notice of meeting.	Brief CVs of every director can be found on pages 30 to 31.
3.84(f)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	Board and Committee composition can be found on page 48. The composition of our committees is in accordance with the requirements of the Companies Act and King III.
3.84(g)	Issuers must have a full-time executive financial director.	Mr Ridwaan Asmal resigned as FD with effect from 12 August 2015. The Board considered it prudent to only fill the FD vacancy, once the new CEO is in office. Mr Vincent Joyner was appointed as CEO on 15 September 2016. Mr Riaan Erasmus, the current Financial Manager ("FM"), has been appointed as Acting CFO and further internal capacity was created to fill the FM role. The FD appointment will be finalised once Mr Joyner has settled into office.
3.84(h)	The audit committee must consider on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.	Our Audit and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the FD and finance team and has reported on its findings in its Audit and Risk Committee report on 78 of the annual financial statements.
3.84(i)	The provision deals with the competence, qualifications and experience of the Company Secretary and the Board of directors' responsibility in relation thereto.	The Company Secretary's competence, skills and experience and the Board's assessment of her abilities to carry out her responsibilities are set out on page 53.
3.84(j)	The provision deals with the arm's length relationship between the Board of directors and the Company Secretary and the Board of directors' responsibility in relation thereto.	Refer to page 53 where it is stated that the Board is comfortable that the Company Secretary maintains an arm's length relationship with the executive team, the Board and the individual directors.

Statutory report of the Social and Ethics Committee

While this report is designed primarily to meet the reporting requirement placed on the Social and Ethics Committee, the feedback on Human Capital on page 68 contains information on Hospitality's efforts to develop its existing and future employees, it also provides details how Fund develops and supports the communities in which it operates, including corporate social investment ('CSI').

The Committee is required to report to shareholders on matters within its mandate at the Company's AGM. Any specific questions in this regard may be submitted to the Company Secretary prior to the AGM.

This report together with pages 68 to 73 focuses on certain of the Fund's efforts, which are overseen by the Committee and which include:

- maintaining good relations with consumers;
- maintaining good relations with employees and achieving employment equity;
- promoting and protecting the environment, health and safety;
- preventing and combating bribery and corruption; and
- being a good corporate citizen.

CORPORATE GOVERNANCE AND RISK (CONTINUED)

The composition, role and responsibilities of the Committee is can be found on pages 53.

The Group through its Social and Ethics Committee endeavours to ensure that its ethical tone is shared and implemented by its contracted hotel operators and aims to act responsibly in the societies in which it operates. Focus has been placed on reducing the impact of the Group on natural resources, having implemented various water and energy-saving programmes across its property portfolio. Information on environment, health and safety can be found in the Social and Environmental report on page 70.

Whistle-blowing and anti-corruption procedures are in place. Stakeholders are encouraged, to report, if necessary, through an independently conducted ethics hotline, the actions and individuals that compromise or threaten the Company's values, reputation and code of ethics. When necessary, investigations are carried out and findings reported, and disciplinary, civil or criminal action taken. The Audit and Risk Committee provides an additional level of oversight to support the Social and Ethics Committee in these matters.

During the year under review, 6 cases were reported through Fund's ethics hotline. For those reports on which investigations have been completed, no critical matters were identified. Issues related mainly to perceived conflicts of interest, unfair treatment and favouritism and one incident of potential fraud risk. The Fund continues to drive awareness of the whistle-blowing line through various initiatives during the year.

Communication with its employees and stakeholders is open and honest and without prejudice and is supported by a disclosure of information policy. Information on shareholder communication and stakeholder engagement can be found on page 73.

Hospitality achieved a Level 6 B-BBEE status in the 2015 financial year.

Company Secretariat and Human Capital – Ziyaad Laher, Rosa van Onselen and Ashleigh Christie

REMUNERATION AND PERFORMANCE

REMUNERATION PHILOSOPHY

Hospitality's philosophy is to remunerate fairly, responsibly and competitively in order to:

- Attract, reward and retain executives and staff of the requisite calibre, with the appropriate knowledge, attributes, skills and experience to allow them to add meaningful value to the Company;
- Align the behaviour and performance of executives with the Company's strategic goals, in the overall interests of shareholders and stakeholders;
- Promote a culture that supports enterprise and innovation with appropriate short and long-term rewards that are reasonable and achievable; and
- Encourage internal development of talent, whilst remaining responsive to market pressures.

REMUNERATION

Guaranteed remuneration*

Guaranteed remuneration includes base salary structured on a cost-to-company basis and benchmarked against the industry and independent market data. For purposes of comparisons to market, the median level of remuneration for a specific position is used as the point of departure.

The Remuneration Committee reviews the guaranteed packages for executive directors, taking into consideration the rate of inflation, affordability, the outcome of benchmarking, the individuals' experience and current levels of performance.

The Remuneration Committee reviewed the guaranteed remuneration of the executive directors and approved a general increase of 6% to guaranteed remuneration with effect from 1 July 2015. None of the staff employed by HPF Management (Pty) Limited qualify as prescribed officers in terms of the Companies Act, 2008.

Details of the guaranteed remuneration paid to the executive directors during the 2015 financial year are set out on page 117 of this report.

SHORT-TERM INCENTIVES

Short-term incentives are offered to all executives as an annual bonus payment and are calculated as a percentage of annual guaranteed remuneration, capped at two-thirds of that guaranteed remuneration, however, due to the eroded value of the Fund's current employee incentive scheme, the short-term incentive of the CEO appointed 15 September is capped at a maximum of 12 months Cost to Company ("CTC"). The criteria for payment of short-term incentives are divided between Company financial and operational and Personal Key performance indicators ("KPIs")/Company non-financial components.

FINANCIAL AND OPERATIONAL COMPONENT*

For executive directors the financial and operational component comprises 60% of the bonus scorecard. Calculation of this element is based on the Company's actual performance relative to predetermined targets for achieving distribution (35% of 60%), exceeding distribution (35% of 60%), hotel budgeted gross operating profit margins (15% of 60%) and Fund expenses (15% of 60%).

PERSONAL KPI/COMPANY NON-FINANCIAL COMPONENTS

Personal KPIs comprise 40% of the annual bonus scorecard and is measured on meeting personal predetermined targets, which are agreed and approved by the Remuneration Committee

Annual bonus payments made to executive directors are set out on page 117 of this report.

LONG-TERM INCENTIVES*

The Hospitality Employee Incentive Trust ("the Trust") was implemented in 2013. Through the Trust, tranches of B-linked units amounting to a total of 1 969 710 B-linked units were acquired in the open market at an average cost of R5,07 each and were allocated to beneficiaries as trust units. To date, B-linked units amounting to R10 million have been acquired and allocated to executive directors and management. Mr AS Rogers* and Mr R Asmal# were allocated 547 580 and 395 913 trust units respectively. The beneficiaries and their respective allocations are agreed by the Remuneration Committee. The Trust units vest in equal parts over a period of three years with the first tranche vesting on 30 September 2016. At the time of vesting, beneficiaries have the option to take up their portion of B-linked units at cost, plus outstanding loan interest, less distributions payments received toward loan payments. The current Trust units were acquired during 2013 at an average cost of R5,07 each.

It is the Company's intention to restructure its current long-term incentive scheme.

ROTATION OF DIRECTORS

One-third of all executive and non-executive directors retire from office by rotation at the Company's Annual General Meeting and if eligible may offer themselves for re-election.

EXECUTIVE DIRECTORS

Service contracts and terms of employment*

The Chief Executive Officer and the Financial Director are both full-time salaried employees of HPF Management Proprietary Limited, a wholly owned subsidiary of Hospitality. Their employment contracts are in accordance with the Fund's standard terms and conditions of employment and subject to three and two months' notice periods, respectively.

The termination of an executive director's contract of employment will result in a concomitant termination of his Board appointment.

** Hospitality prior CEO, Andrew Rogers was summarily dismissed on 22 June 2015 and was not eligible to receive an increase in guaranteed remuneration or any short-term incentive. He was also disqualified as a beneficiary of the Trust.*

 # As a result of Mr Asmal's resignation on 12 August 2015, his allocated units reverted back to the Trust.

REMUNERATION AND PERFORMANCE (CONTINUED)

The Financial Director resigned effective 12 August 2015. The CEO, Vincent Joyner was appointed on15 September 2015.

NON-EXECUTIVE DIRECTORS

Service contracts and terms of employment

Non-executive directors are not subject to fixed terms of employment other than the conditions contained in the Company's MOI and, as such, no service contracts have been entered into with the Company.

Hospitality's remuneration mix for non-executive directors comprises a basic fee in the form of an annual retainer in respect of their membership of the Board, Audit and Risk and Social and Ethics Committees and if applicable a per meeting fee for actual attendance for the members of the Investment, Nomination and Remuneration Committees. Hourly fees may also be paid, subject to prior Board approval, to non-executives for ad-hoc work which may be required of them.

No share options or other incentive awards geared to share price or corporate performance are made to non-executive directors.

Non-executive directors' fees are approved in advance by shareholders by special resolution at the Company's Annual General Meeting, at intervals of no longer than two years at a time.

Remuneration

The non-executive directors' fees proposed for the 2016 represent a 6% inflationary increase.

The following proposed fees for 2016 will be presented to shareholders for approval at the 2015 AGM:

	Chairman	Member
Board (per annum)	318 000	212 000
Audit and Risk Committee (per annum)	137 800	84 800
Investment Committee (per meeting)	12 720	10 600
Nomination Committee (per meeting)	6 890	5 830
Remuneration Committee (per meeting)	6 890	5 830
Social and Ethics Committee (per annum)	45 550	36 040
Ad-hoc fee		

Details of remuneration paid to non-executive directors can be found on page 117.

Ad-hoc fee 2016

Shareholders will also be requested at the 2015 Annual General Meeting ("AGM") of the Company to approve an hourly ad-hoc fee for non-executive directors. Such a fee will be payable in the event that a non-executive director is requested by the Board to perform additional work, to which a director will dedicate time in effort in excess of what he/she would ordinarily dedicate to the Company in order to execute his/her duties as a member of the Board or a Committee. Principle 153 of the King III report supports the setting of an ad-hoc fee for non-executive directors.

The ad-hoc fee will be calculated on actual hours spent, less 20 hours per director, per annum, which is deemed to be a reasonable time spent on unanticipated matters arising.

2015 Post fact approval

The payment of ad-hoc fees for three non-executive directors amounting to R455 000 is recommended by the Board to shareholders for approval at the AGM. The payment of these fees relate to the time spent by the non-executive directors in preparing, attending and representing the Company at the disciplinary hearing of the previous CEO of the Company. These directors also met with legal representatives, forensic investigators and shareholders and managed the process by communicating with staff and where appropriate, the media.

A breakdown of the fees and a motivation can be found in the Notice of the AGM on page 136.

Mount Grace Country House and Spa

RISK MANAGEMENT

Hospitality is of the view that effective risk governance is essential to its sustainable business performance and the realisation of its strategic management and operational objectives.

THE GOVERNANCE OF RISK

The Board has overall responsibility for the governance of risk. The Audit and Risk Committee is mandated to ensure that the responsibilities delegated to the Risk Committee, represented by executive management, are carried out in accordance with the Risk Governance Framework approved by the Board. The Audit and Risk Committee recommends the Risk Governance Framework and Risk Policy, Risk Management Plan and Top Risks to the Board for approval on a continual basis. It then oversees that risks are being managed and reported appropriately.

The three tiers of the Fund's risk governance are illustrated in the graphic below:

BOARD

- The Board is responsible for the governance of risk as set out in the Board Charter.

↕

AUDIT AND RISK COMMITTEE

- Is mandated to oversee the management of risk by the Risk Committee represented by the executive management team.

↕

RISK MANAGEMENT COMMITTEE

The Risk Management Committee oversees and submits the:

- preparation of the risk governance framework;
- risk management policy, and
- risk management plan to the Audit and Risk Committee for review and approval.
- Identifies the risks, the relevant controls, treatment plan and monitors the management of thereof;
- Reports to the Audit and Risk Committee the identified risks, controls and treatment plans.

THE MANAGEMENT OF RISK

The Integrated Risk Management Approach ("IRMA")

The Chief Risk Officer (CRO) implemented IRMA throughout the entire Group during the previous and current financial year. The IRMA process includes the identification of uncertainty, threats and opportunities created by it and the systematic analysis of it using the risk framework. The IRMA is primarily based on the principles and guidelines of the ISO 31000 Risk Management Architecture ("ISO 31000") adapted, where necessary, to the needs of the organisation and complemented, where appropriate, by the Risk and Insurance Management Society ("RIMS") Risk Maturity Model ("RMM"). The IRMA is structured, systematic and is designed to:

- create and protect value in the context of the social and cultural factors facing the organisation;
- suit the environment of each business area and integrate with the business operations;
- support decision making based on best available and timely information;
- deal with uncertainty through being dynamic, responsive, and iterative;
- facilitate continual improvement and develop organisational capacity; and
- be transparent, inclusive, and relevant

MILESTONES ACHIEVED IN THE YEAR

- The CRO performed and implemented the following during the year
  - Completion of the rollout of the IRMA process throughout the Group;
  - Training sessions at the various properties and Fund level in order to ensure that risk management are placed in context and that the delegates understand the essential concepts and methods involved in the risk assessment process.
  - Assisting 19 properties and the Fund prepare risk registers;
  - Completion of risk assessments on a number of the properties and at Fund level; and

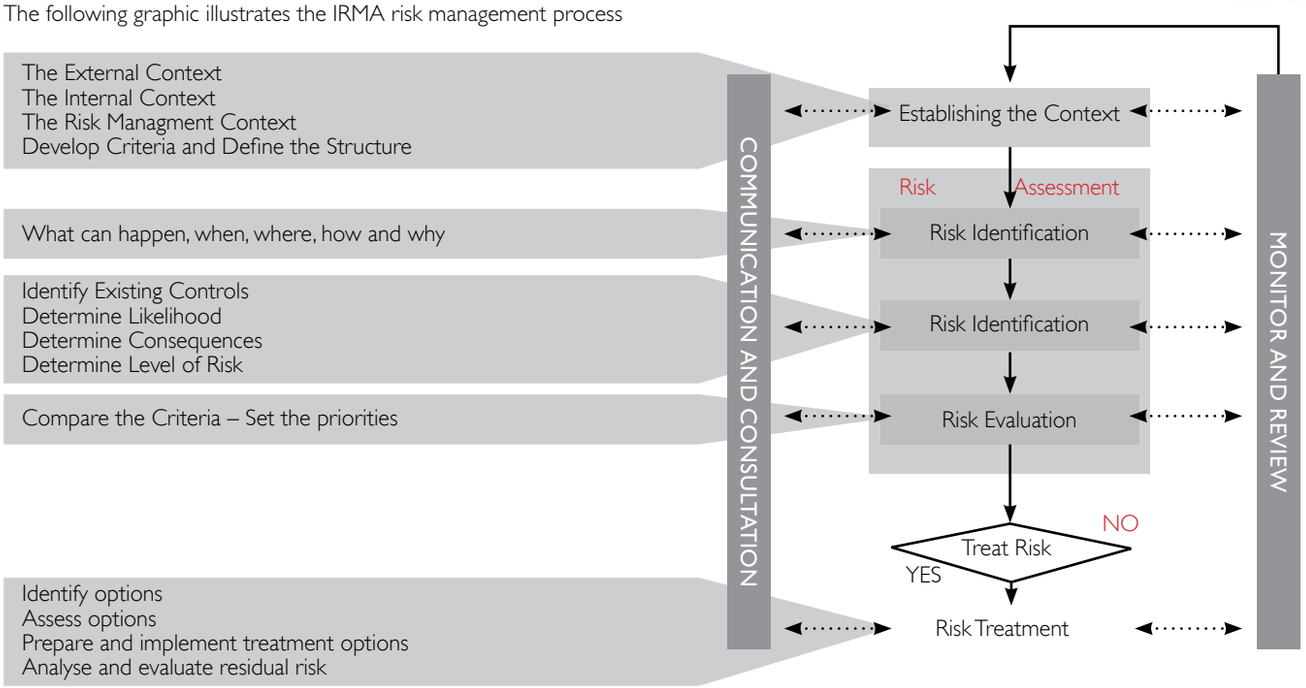
  - The development of a Risk Appetite and Tolerance guideline during the year.

The risk assessment phase will be completed in the next year and treatment plans will be developed and implemented on a priority basis for the most significant risks.

The CRO's contract came to an end during the year and the Audit and Risk Committee, together with the Board, will decide on the way forward regarding the risk management process and internal audit.In the absence of an appointed CRO, the Risk Committee will continue to drive and monitor the risk process under the supervision of the Audit and Risk Committee.

Radison Blu Waterfront

The following graphic illustrates the IRMA risk management process



RISK MANAGEMENT (CONTINUED)

Risk disclosure

At the time of this report, the following top risks were identified at Fund level.

TOP RISKS IDENTIFIED AT FUND LEVEL

Risk theme	Risk description	Current risk controls	Planned risk controls
Economic conditions	Volatility in global and domestic economic conditions has a direct impact on trading volumes at the hotels and profitability	Diversification of business between domestic and international and across different markets segments: corporate, government, conferencing and leisure.	Increase in sales and marketing efforts in the depressed market. The sale of non-core hotels.
	Deterioration of local infrastructure including roads and basic services infrastructure in some areas will negatively impact guest numbers with consequential revenue losses.	Continuous analysis of marketing conditions to identify weakness, formulate appropriate strategies and implement action plans as early as possible.	The installation of basic service backups, i.e. generators and water vessels.
Financing and cost of borrowings (market risk)	On expiry of loans, refinancing is subject to financial institution internal credit policies and risk assessment of business.	Debt facilities are funded by Nedbank Ltd and the Fund's R2 billion Domestic Medium Term Note Programme with secured and unsecured notes over varying periods. Alternative financing options are obtained other than traditional bank financing. Maturity profile tabled at Audit and Risk Committee quarterly and renewal of facilities to be concluded three months prior to expiry. Managing market risk through interest rate swaps to reduce interest rate risk.	
Investment risk	Making poor investments or acquiring a property with undisclosed inherent defaults including structural faults, land and other claims against the property and/or other regulatory non-compliances.	Formal due diligences are performed by expert services providers prior to final acquisition.	
Safety of guests and staff at hotels	Possible injury, death or disability of guests or staff members would have a negative impact on the hotel brand and property together with negative publicity.	Suitably qualified security companies are appointed at all hotels. Preventative maintenance programmes are supervised by the Fund's Chief Engineer. Property Health Safety and Environmental (HSE) risk surveys are conducted annually and concerns raised addressed. Hotel OHSACT committees are in place at all hotels. Adequate insurance cover is in place to cover public liability claims. Property risk based audits are conducted annually, by external specialists by Colin Ackroyd & Associates. International hotel brands have additional requirements to assess fire, life and safety risk.	Risk focused capital expenditure is planned over the next 12 months, in particular fire, life and safety.
Destruction or damage to property	Partial or total destruction of hotel and infrastructure results in hotels not being operational with the resultant loss of income to tenant and rental income to the Fund.	Assets are insured for replacement cost, business interruption and political riot with reputable underwriters with a strong credit rating insurance policies are in place and reviewed 1 July annually.	Risk focused capital expenditure is planned over the next 12 months.
Choice of tenant, hotel manager/operator	Potential loss of revenue due to poor sales and marketing strategies or properties not being adequately maintained affecting guest experience and causing brand reputation damage.	Maintaining strong relationships with major hotel brands, both locally and internationally, to ensure the allocation of the correct brand and appointment of the most appropriate hotel manager for a specific property. Diversification of hotel management companies. Continuous management of the operators to ensure that revenues are maximised, guest service levels are acceptable and properties are well maintained which include, quarterly strategic meetings with Regional Offices of Brands and Management companies.	

Risk theme	Risk description	Current risk controls	Planned risk controls
Capital structure and volatility of B-linked units	Due to variable rentals affected by the cyclical nature of the hotel industry and the growth in distribution by the lower of 5% or CPI on the A-linked unit, the distribution and share price of the B-linked unit is highly volatile .	Executive management continues to actively engage with major shareholders on this issue.	The possibility of converting the capital structure to a single class of share, is being explored. Advisors have been appointed to advise on the conversion to a single class of shares.
Increase in municipal utility costs and rates and taxes	An increase in utility and rates and taxes costs have a direct impact on hotel profitability and thus lower rental income. These increases cannot be passed on to guests as room rates are determined by market conditions.	Online monitoring systems for electricity consumption installed at all hotels. Heat pumps and LED lighting programmes complete. Municipal property valuation monitoring processes in place with professional consultants to assess the reasonability of the municipal property values applied for rates and taxes.	
Skills retention and succession planning	Shortage of suitably skilled staff at hotel level are a continuous challenge for operators and potentially impacts guest service levels and profitability.	Remuneration policies are in line with market to ensure retention of key staff.	Retention of skilled staff at Fund management level and a definitive succession plan for key staff is critical to ensuring optimal and uninterrupted management of the Fund. A HPF long-term share incentive scheme has been implemented. The Nomination Committee to ensures that appropriate succession plans are in place for key executives.''
Cast of regulatory and legislative changes	Department of Home Affairs regulatory changes regarding visas for foreign travellers is negatively impacting the tourism, MICE (Meeting, incentives, conferencing, exhibitions), and leisure travelers. Overall compliance procedures. Changes in Labour Legislation and the impact on the operations as well as increased costs associated therewith. Increased compliance to POPI and CPA. Changing legislation regulation foreign land ownership.	Continuous monitoring of the tourism market. Increase in sales and marketing efforts in the depressed market. Implementation of the necessary changes required by the Labour Legislation.	Redirecting sales efforts to markets with less stringent travel requirements. Assess the impact of POPI and the new Labour Legislation on the hotels and determine the appropriate procedures to ensure compliance.
REITs	Meeting the JSE Limited Listings Requirements for continued listing as a REIT. Disqualification as a REIT will result in adverse tax consequences.	Continuous measurement against obligations for REITs.	The JSE Limited granted the Fund extension to 30 September 2015 to cancel existing debentures in order to comply with the 60% REITs gearing test. At separate shareholder and debenture holder meetings held on 21 August 2015, the requisite majority votes were obtained to convert from a linked unit to a share only structure. The possibility of converting the capital structure to a single class of share, is being explored.
Capital cost of maintaining assets	Due to the capital intensive nature of the Fund's assets the cost of maintaining the Fund's assets are high in comparison with other REITs. Any lack in maintaining properties to their star grading standards will result in loss of profits and an associated reputational impact.	Additional DMTN issue concluded in February 2015 to fund capex for FY 2016. Reviewing rolling twelve-month cash flow at Audit Committee meetings.	Disposing of hotel properties where the capital expenditure outweigh returns generated.
Tenant default	Loss of income due to vacancy, recoverability of arrear rentals and non-letting of vacant properties.	All deposits and bank guarantees in place. Monthly meetings held to review tenants financial performance and continuous engagement to identify non-serviceability of rentals. Relationships with major hotel operators are in place to secure alternative tenants for vacant properties. Tenant diversification.	
Fraud and corruption	Bribery; fraud; nepotism; conflict of interest; breach in financial and operational procedures.	Continuous review of Authority Limits; Established Code of Ethics; Established Ethics reporting line.	Developing and implementing humar rescued financial and operational policies and procedures; Training of staff. Segregation of staff duties

NATURAL, HUMAN AND RELATIONSHIP CAPITAL

HPF DEVELOPMENT ACADEMY CONTINUES TO DEVELOP FUTURE FIT LEADERS

A major component of the HPF Development Academy is provided through the University of Johannesburg ("UJ") School of Tourism and Hospitality ("STH"), with an annual commitment by the Fund of RK240 that is spent on bursaries for students needing financial assistance to complete their studies. Bursary students are encouraged to continue with their Bachelor of Technology (BTech) degree, following the completion of their National Higher Diploma. Since the inception of the HPF bursary program a total of 39 students have received bursaries with 10 having been employed permanently, three completing their work integrated learning and five students still at university.

A new partnership commenced during the year, with Akhona Malani, one of the first UJ STH Masters students. Akhona is conducting her Master's research project on a study to investigate the health consciousness of the hotels and the extent of waiters' knowledge on this topic, which is being conducted at a number of Hospitality's properties. She will share the results of her research with the hotels, to identify gaps in their knowledge and assist with training should this be necessary.

Hospitality continues to work with various other educational institutes through its representation on their advisory boards as well as providing guest lectures at the likes of UJ, STH, Stenden University in Port Alfred, International Hotel School and Cape Peninsula University of Technology ("CPUT"), Granger Bay.

Many of the bursary graduates who benefited from HPF Development Academy have been employed full time in the hospitality sector and continue to progress through the ranks and succeed in their careers in the industry. Hospitality is committed to providing ongoing mentorship to provide a strong foundation for future leaders to develop and grow within this dynamic industry.

One of many young professionals who is succeeding in the hospitality sector is Popina Mphahlele, a bursary beneficiary who graduated from UJ School of Tourism and Hospitality in 2012. She proceeded to Mount Grace Country House & Spa where she completed her internship before moving to Holiday Inn Sandton where she was employed as a Guest Relations Officer. In 2014, Popina joined the Hospitality team as receptionist. Since then, she has demonstrated her dedication to the Company and constantly takes on additional responsibilities. She now manages all of the Fund's travel arrangements, assists the finance team as well as the HR development manager with the Fund's B-BBEE and Employment equity requirements and a number of other administrative functions.

Through her exposure to all aspects of Hospitality, Popina found her niche in the finance department and will be pursuing a finance degree in 2016.

Popina Mphahlele

Hospitality has another valuable partnership with the CPUT, where it offers several bursaries to deserving students. Keagan Johnson is a deserving student who received a bursary on merit. Keagan worked for six months at the Protea Hotel Victoria Junction as a receptionist in order to save funds for her studies. Members of the Hospitality team noticed her commitment and, after meeting Keagan and learning about her 5 year journey to complete her diploma, the Fund assisted by funding the final year of her studies. She is currently completing her internships at the The Westin Cape Town.

Black managers continue to be a scarce skill in the hospitality industry and the focus during 2015 was on the development of Hospitality's young stars, being black professionals showing a talent and passion for the hospitality industry.

The Emerging Leaders programme was established in January 2014 and 12 eager learners started their 15-month programme. This started with a week of classroom sessions to prepare them to sit for the American Hotel and Lodging Educational Institute Supervisory Skills qualification, whilst also setting the tone for the remainder of the 15 month progam. The students then embarked on the online International Hotel School Hospitality Management Programme, comprising six modules, each taking 10 weeks to complete and followed by a written exam. The programme demands dedication and hard work, proving that each learner is committed for the long run. The initial results were very promising and since starting the programme, three learners have been promoted or transferred.

Hospitality's emerging leaders

CSI – Hospitality's focus in 2015 was on education and to this end the Fund partnered with Rethaka's Repurpose schoolbag Project.

Rethaka is a non-profit organisation operated by a group of women in Rustenburg, who, through their green innovations, have redefined societal problems into solutions. Their main focus is to uncover sustainable opportunities that have a positive impact on low income communities with a specific focus on women and children.

A Repurpose schoolbag is made from recycled bags and contains a solar light that charges during the day, to enable children to study at night when they get home. The advantages of these bags are that they are eco-friendly, durable, trendy, extend studying time for learners and are even visible to motorist due to the retro-reflective material that is used to make them.

Not only have the Hospitality team distributing the Repurpose Bags to children from a disadvantaged school in Magaliesberg, but they also participated in recycling plastic bags as a team building challenge. Through its exposure to this programme, the Hospitality team realised that change needs to start at ground level, whether it's providing a child with an opportunity to better themselves or looking after our environment.

Children with their Repurpose Bags

Handover of repurpose schoolbags in Magaliesberg

Employee Wellness Programme

Hospitality has recently introduced an employee wellness programme, through ICAS Southern Africa, which allows all employees access to financial, legal and medical advice. Guidance, counselling and mentoring are also available to members. Staff receive regular newsletters on general health and matters of the workplace. Further training and awareness on the wellness programme will take place in 2016.

SOCIAL AND ENVIRONMENTAL MATTERS

The Fund continues to recognise its responsibility for the impacts that it has on its surrounding communities and evaluates mechanisms to reduce environmental impacts.

Environmental Impact

While the reduction of Hospitality's environmental impact and carbon footprint remains a focus, the Fund recognises that this is a dynamic target. Continual changes and adjustments are necessary to achieve these objectives, and Hospitality is committed to integrating leading environmental practices and sustainability principles into its hotels, thereby ensuring balance between its economic, social and environmental responsibilities.

During the year, the Fund continued to work on the following initiatives:

- Striving to reduce consumption of natural resources through the responsible use of electricity, gas and water.
- Working to minimise the consumption of water through guest usage, laundry, hotel consumption and irrigation.
- Developing innovative mechanisms to recycle sewerage, laundry and kitchens grey water.
- Actively seeking to minimise pollution, emissions and effluents emanating from its operations.
- Working to minimise the amount of waste produced by the hotels by implementing reducing, reusing and recycling programmes (paper, glass and cans, both steel and aluminium).
- Ensuring that at all times, the Fund identifies, evaluates and complies with local, regional or national environmental laws and regulations applicable to its operations within the areas in which its business is conducted.
- Managing biodiversity through the protection of flora, fauna and land associated with or impacted by our operations.

There are various environmental programmes in place at the Fund's hotels, which are implemented according to each particular hotel operating company's initiatives:

- Green Engage (Intercontinental Hotel Group)
- Responsible Business Programme (Carlson Rezidor).
- Planet Bold (Environmental Sustainability Program)(Extrabold)
- 30/20 by 20 (Starwood Hotel and Resorts)
- Hotel Environmental Plan (Protea Hotels)

The Arabella Country Estate is the only ISO 14001 accredited golf estate in Africa. This requires compliance with international standards of sustainable environmental management and undergoes annual environmental audits of its performance. Hospitality has embarked upon an alien clearing project on Arabella Phase 2, to prepare the site for potential future developments. The impact of the irrigation system that was installed last year at the Arabella Golf Course, resulted in significant improvements in golf course conditioning and water utilisation. Further enhancements to the coverage and timing controls of the system will be implemented in the year ahead.

ENERGY CONSUMPTION

At the Fund's hotels, only electricity that is provided by Eskom or the local municipalities is used. The majority of energy consumption is attributable to the heating of clarifiers, operation of air-conditioners, lifts and lighting purposes. Energy usage is largely determined by occupancy levels and the Fund continues to actively seek alternative methods of reducing its energy consumption. These measures include the introduction of awareness campaigns among guests and employees. The Fund has determined that the measurement of energy consumption should be based on a "per room sold" basis, to establish a meaningful trend over time.

The Fund continued to register properties with Eskom's Demand Side Management Programmes and has implemented various projects. These include the installation of further heat pumps at Crowne Plaza Johannesburg – The Rosebank and Protea Hotel Hluhluwe & Safaris. Energy efficient light fitting replacement (LED globes) was carried out at Radisson Blu Waterfront and there are plans to similarly fit out Champagne Sports Resort after discussions with the Tenant. The Magnet Group continues to oversee the implementation of the heat-pumps and illumination projects, previously identified as the most significant KWH savings for the hotels. Further planned initiatives include the introduction of occupancy sensors, day and night sensors and key card reader sensors in the hotel bedrooms.

Load-shedding has become a critical issue, impacting on the continuous service and operation of the hotels in 2015. The in-house generator capacity of The Westin Cape Town, Birchwood Hotel & OR Tambo Conference Centre, Radisson Blu Waterfront and The Richards Bay Hotel, was increased during the year. Although this situation improves the efficiency of the Fund's electricity consumption and increases the consumption of diesel fuel, it is considered to be an operational necessity for the long term sustainability of each hotel's performance.

The Fund was successful in its applications to the local councils, which resulted in a change to the electricity tariff structures at Arabella Hotel and Spa and at Mount Grace Country House & Spa from Rural to Rural Flex, resulting in a 25% saving.

Electricity usage

Average kWh per room night sold

	Economy	Mid-Scale	Luxury
2015 financial year	**45.29**	**44.34**	**104.38**
2014 financial year	47.86	45.97	104.61
Year-on-year change 14/15	(5%)	(4%)	(0.2%)
2013 financial year	44.16	40.39	107.5
Year-on-year change 13/14	(13.1%)	13.6%	(44.2%)
2012 financial year	49.07	51.26	116.02
Year-on-year change 12/13	(10%)	(21.2%)	(7.3%)

Energy and water consumption are monitored daily and reported on monthly, together with a summary of utility bills in a sustainability reporting meeting held with senior executives and Power Metering Technics ("PMT"), a specialist monitoring company. PMT was appointed in 2012 to improve on the existing system and assist the Fund's executives to implement measures to continually reduce the energy consumed at the properties. Best-practice benchmarks were established and the following actions continue to be implemented by the hotel management companies:

- Hot-water calorifiers are set to heat water only when the capacity of the newly installed heat pumps have been reached and the demand for hot water is at its highest. Boiler temperatures are set to minimum levels.
- Fully insulated systems ensure that hot water is available at all times and heat loss is minimised.
- Air-conditioning plants have timers to reduce energy consumption so that unoccupied public spaces are not air-conditioned unnecessarily.
- Energy-saving devices, such as key-card activated switches, have been installed in new and refurbished hotel rooms, allowing for all non-essential electrical items to be shut down when rooms are unoccupied.
- Where possible, the discharged cold air from heat pumps is circulated into air handling unit plant rooms for distribution to assist the chillers.
- Where central air-conditioning chiller plants are installed, the utilisation of heat generated through the running of the plant is used to heat and maintain hot water temperatures through plate heat exchangers.
- Administration offices, boardrooms and conference centres have been retrofitted with motion sensors linked to lights and air-conditioning to further aid energy saving when areas are unoccupied.
- The use of energy-efficient globes, has been implemented.
- Regular maintenance of all electrical equipment ensures that operating efficiencies are maintained.
- Staff training programmes and initiatives include measures on saving power such as the switching off of lights in storage areas and bedrooms.
- Power factor correction equipment has been installed and is regularly maintained.
- The operating hours of the hotel's on-site laundries have been synchronised to low electricity demand periods.
- Pool blankets cover the heated swimming pools.

WATER CONSUMPTION

Properties are implementing a water management strategy as part of a broader initiative to minimise waste. The majority of properties are supplied with water for domestic consumption by the local authorities, except where municipal supplies are not available, in which case treated borehole water is used. Irrigation is mainly via borehole water or 'grey water' plants (recycled waste). As with energy consumption, the Fund measures water consumption on a 'per property per room night sold' basis. This enables comparative reports and benchmarking.

SOCIAL AND ENVIRONMENTAL MATTERS (CONTINUED)

Outputs of water purification plants are tested each month by independent contractors and results retained and acted upon.

Measures being adopted in the conservation of water include:

- Guest-awareness programmes to reduce laundering of linen and towels.
- Shower heads and taps have been fitted with aerators to simulate high flow rates, albeit at a significantly lower rate of usage.
- Showers have systematically replaced baths in new developments.
- Laundry facilities were centralised and the use of laundry equipment is carefully controlled by housekeepers to ensure optimal loading of the machines.
- Garden irrigation is timed, to avoid watering during the hottest times of the day and therefore reduce water loss through evaporation.
- All landscaping and plant replacement projects prioritise the use of "water wise" indigenous flora.
- Programmes are in place for the continual removal of invasive alien plant species.
- Water metering systems have been intalled to reduce water consumption by early detection of leaks and high usage areas.

WASTE WATER

"Grey water" treatment plants have been established where possible and the outflow from these plants is used for irrigation. Other mitigating steps being implemented to reduce the effect of harmful substances on the environment include:

- Bio-degradable and environmentally friendly chemicals are used in all kitchen, cleaning and laundry operations.
- Guest supplies (soaps, shampoo, foam baths, conditioners and lotions) are bio-degradable.
- All hotels have grease traps that are regularly maintained to ensure kitchen and food greases are removed before entering waste systems.
- Salt chlorinators are used where possible to maintain swimming pool hygiene and minimise the use of chlorine-based products.

AIR QUALITY AND POLLUTION

To minimise air pollution and improve air quality, the following initiatives are being implemented:

- Effective filtration of kitchen and laundry extraction with regular monitoring and maintenance of extraction and filtration systems.
- Reducing the number of cleaning materials dispensed by aerosol.
- Compliance with smoking legislation at all properties and ensuring public areas and the majority of hotel rooms are smoke-free.
- Use of ozone-friendly refrigerants in all cooling equipment.
- Spillage-containment procedures are installed at chemical storage areas at each hotel and every diesel generator has containment areas for storing fuels. According to legislation, all spillages are recorded, the correct handling methodology clearly displayed in all chemical storage areas and employees trained in the correct containment practices.
- Regular cleaning and replacement of air-conditioner filters.

RECYCLING

The majority of waste is currently being separated; however, the limited number of suitable service providers to remove these products remains challenging. An in-house education programme is in place at a number of the Fund's hotels to encourage employees to recycle waste material. Currently certain guest supplies that are not fully utilised in guest bedrooms are donated to local charitable organisations or establishments. Paper, glass and aluminium tins are also being recycled. Some of the institutions involved at the Fund's hotels in respect of recycling initiatives:

- Sappi and Mondi paper recycling
- Collect-a-can
- Enviroglass.

BIODIVERSITY

The Fund monitors the impact of its hotels which are located in both protected areas and locations of high biodiversity value. Specific initiatives include the following:

Mount Grace:

- Many of the invasive plant species have been removed and proper attention given to replacing these with indigenous material.

Arabella:

Arabella Country Estate is located within the transitional zone of the Kogelberg Biosphere Reserve and the adjacent Bot River Lagoon, which is designated buffer zone to the Biosphere Reserve. Accordingly, the principles of sustainable development and protection of the natural environment on the actual property and adjacent to it are prioritised and the Fund has a number of initiatives in this regard. These include:

- The estate assists the Western Cape Nature Conservation Board (WCNCB) with the rotection and maintenance of the adjacent Rooisands Reserve. The estate also established an advisory committee on which it is represented with the WCNCB and members of the local community. The objective is to promote and ensure the protection and conservation of the Rooisands Reserve in order to retain the integrity of its Biosphere Reserve Status. Specific focus areas include the removal of alien species and managing soil erosion. The estate has also upgraded infrastructure on the reserve, including the construction of bird hides, trails and other facilities for visitors to the reserve.
- The Arabella Country Estate regularly consults with an ecologist from the Kirstenbosch Botanical Gardens on the removal of alien species and the successful introduction of local indigenous fynbos species.
- Hospitality has embarked on an extensive alien species clearing project on the Phase 2 land held at Arabella through the establishment of an Enterprise Development Programme and assistance in creating a start-up Environmental Management Company called Mcon and owned by Mr Martien Scheepers.

SHAREHOLDER COMMUNICATION AND STAKEHOLDER ENGAGEMENT

The Board maintains honest and transparent communication with its stakeholders. Management engages regularly with major shareholders and stakeholders to ensure open channels of communication.

An active investor relations programme was maintained in the period under review. A site visit in October 2014, attended by real estate investors and analysts was hosted to key properties in Gauteng, using these interactions to provide deeper insights into the differentiators of Hospitality's business model within the real estate sector. Furthermore, frequent face-to-face interactions occurred with key shareholders and investors during the year in light of the executive management changes, the downturn in the hospitality sector and to discuss various proposals regarding the REIT structure. These roadshows were attended by Hospitality's independent chairman, Don Bowden, acting CEO, Gerald Nelson and previous FD, Ridwaan Asmal.

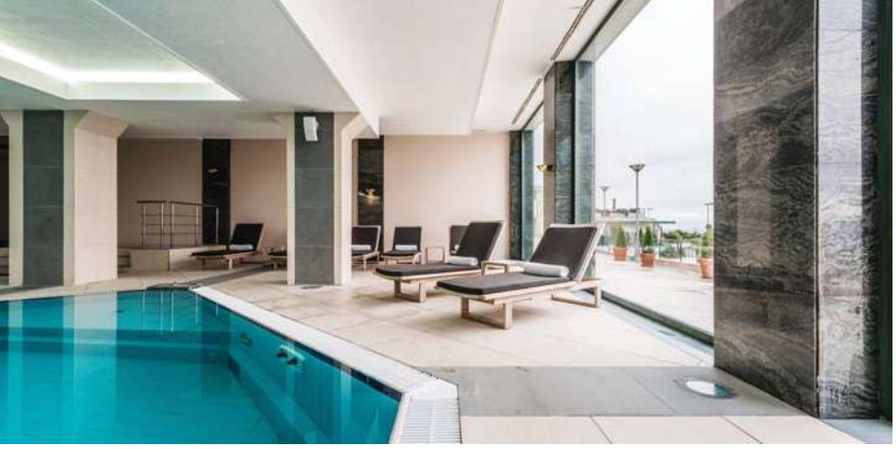
The Fund recognises the need for engagement with its "indirect employees" being the staff employed by its hotel managers at its properties. Hospitality recently launched a quarterly newsletter for distribution to all hotel staff. Hospitality management also engages with hotel senior staff on a one-on-one basis as part of its active management philosophy.

Identification of stakeholder groups and methods of engagement are set out below:

Stakeholder groups	Engagement approach and mechanisms	Key topics and areas of concern
Direct: Fund stakeholders		
Shareholders, bankers, bond to holders and financiers	Presentations, integrated annual report, results announcements, SENS releases, site visits, roadshows and direct engagement	Distributions growth, future prospects and compliance with terms of loan agreements
Tenants: Hotel manager and Brand	Monthly and quarterly face-to-face meetings for each property to obtain updates on a wide variety of matters	Absolute and relative performance, benchmarking and strategising, trading environment
Professional suppliers and business partners including legal, accounting, architects, engineers, quantity surveyors and interior designers	Ad-hoc and formal meetings, reports, letters and emails	Future business opportunities, relationships, project performance, level and standard of service
Employees – direct/indirect	Daily interactions Introduction of ICAS employee wellness programme	Performance and daily responsibilities, compensation and professional development
Governments and regulatory authorities	Formal meetings, written reports and regulatory submissions	BEE, health and safety, labour matters and taxation
Indirect: Hotel stakeholders		
Consumers	Sales and marketing initiatives, direct interactions, campaigns	Quality and value for money, consistent service delivery, BEE and environmental compliance
Trade Unions	Direct engagement	Wage settlements and working conditions
Suppliers of consumables	Direct engagement, tenders, centralised procurement	Price and cost of goods, quality, service and payment terms
Employees	Direct interactions, electronic communications, employee forums	Working conditions, salaries and benefits, training and development, safety
Communities and education institutions	Direct engagement	Sponsorships, grants and bursaries
Local authorities	Direct, telephonically and through legal counsel	Lack of service delivery, maladministration, incorrect billing and incorrect valuations

Through its membership of industry bodies such as the SA REIT Association, Hospitality engages regularly with other industry participants on current issues impacting the industry.

Radison Blu Gautrain Sandton



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors are responsible for:

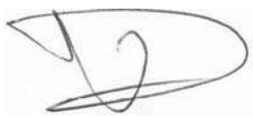
- the preparation and fair presentation of the Group and separate annual financial statements of Hospitality Property Fund Limited, comprising the statements of financial position at 30 June 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2008 of South Africa;
- preparing the directors' report;
- such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- for maintaining adequate accounting records and an effective system of risk management; and
- the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The Group and separate annual financial statements of Hospitality Property Fund Limited, as identified in the first paragraph, were approved by the Board of directors on 25 August 2015 and signed by



DG Bowden
Chairman

GA Nelson
Acting Chief Executive Officer

PREPARER OF THE ANNUAL FINANCIAL STATEMENTS

The Group and separate annual financial statements of Hospitality Property Fund Limited as approved by the Board of directors on 25 August 2015 were prepared by the Acting Chief Financial Officer, Mr R Erasmus CA(SA). The Group and separate financial statements of Hospitality Property Fund Limited were audited in compliance with section 30 of the Companies Act 2008.

From back to front – Finance – Riaan Erasmus, Rinda Frey, Martie Nel, Maria Olivier, Kate Vimbelela

CERTIFICATE BY THE COMPANY SECRETARY

I hereby certify that for the year ended 30 June 2015, the Company has lodged with the Registrar of Companies all such returns and notices as are required of a public Company in terms of the Companies Act, 2008 and all such returns appear to be true, correct and up to date.

LR van Onselen
for HPF Management (Pty) Limited
Secretaries

25 August 2015

REPORT OF THE AUDIT AND RISK COMMITTEE

REPORT IN TERMS OF SECTION 94(7)(f) OF THE COMPANIES ACT, 2008 AND THE JSE LISTINGS REQUIREMENTS

The Audit and Risk Committee (the Committee) is pleased to submit its report in compliance with section 94(7)(f) of the Companies Act, 2008. Details on the composition of the Committee, its terms of reference, frequency of meetings and attendance at meetings are set out in the corporate governance section of the Integrated Report on page 46.

EXECUTION OF FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The Committee has fulfilled its duties in terms of its statutory obligations contained in the Companies Act, 2008, the JSE Listings Requirements, its terms of reference and the King III principles. Any areas of non- or partial application of King III have been explained in the corporate governance section of the Integrated Report. The Committee, in addition to its statutory duties, also fulfils other functions assigned to it by the Board, which include the governance of risk.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Committee is satisfied that the external auditor, KPMG Inc. and the designated auditor are independent of the HPF Group. The Committee also satisfied itself that the external auditor is a registered auditor in terms of the Auditing Profession Act and that the audit firm and designated auditor are accredited on the JSE Limited's list of auditors and advisors.

The Committee has considered the nature and extent of fees paid to KPMG in respect of any non-audit services performed and other criteria relating to independence and conflicts of interests as prescribed by the Independent Regulatory Board for Auditors. Confirmation was given by the auditor that compliance with its internal policies and the prohibition of any shareholding in the Group supports its claim of independence.

The Committee approved the audit plan, terms of engagement and audit fees for the 2015 external audit and held at least one closed meeting with KPMG, without management present, to afford the auditor a chance to raise any concerns or difficulties.

CONTENT OF THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Committee reviewed the accounting policies and estimates and content of the annual financial statements for the 2015 financial year. The Committee is satisfied that they are adequate and appropriate and that the financial statements comply with International Financial Reporting Standards, the Companies Act and the JSE Limited Listings Requirements. To this end the Committee recommended the annual financial statements to the Board for approval.

THE GOVERNANCE OF RISK, INTERNAL FINANCIAL CONTROLS AND INTERNAL CONTROLS

A Group risk management framework was adopted in 2014. During the current year, the risk management plan that flows from this framework was approved by the Committee. The implementation of this plan is monitored by the Committee.

A review of the Group's key internal financial controls were included in the 2015 external audit scope. The internal controls, including internal financial controls are documented and assessed by Management and considered by the Committee. Significant progress was made, in the past year, in enhancing risk management in the Group. However, the Committee recognises that the Group still have some way to go to bring these processes to a high maturity level.

Further details can be found on page 64.

INTERNAL AUDIT

The Committee is responsible for assessing the need for an internal audit function. Given the size and nature of the Company's operations as well as the existence of internal audit functions by the various hotel operators at an individual hotel level, the Group currently does not have a dedicated Group internal audit function. However, internal audit reviews on key controls have been performed from a group level by management and reported to the Committee. The Committee intends to further enhance these reviews, in scope and independence, in 2016.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND THE FINANCE TEAM

As reported elsewhere in the Integrated Report, the Financial Director, Mr Ridwaan Asmal, resigned from the Group with effect 12 August 2015.

The Board is in the process of appointing a CEO. The Committee and the Board consider it prudent to only fill the vacancy in the financial director position once the new CEO is in office. In order to ensure that adequate capacity exists in the interim, the current Financial Manager, Mr Riaan Erasmus, has been appointed as Acting CFO and further internal capacity was created to fill the financial manager role.

The Committee is satisfied that this interim measure will suffice, but recognise the importance of filling the financial director position in the short term without compromising on skills and experience.

L de Beer
Chairman

25 August 2015

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 30 June 2015.

NATURE OF BUSINESS

Hospitality Property Fund Limited (the Fund/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 exposure to both the property and hospitality industries.

The property portfolio consists of interests in 22 properties valued at R5,14 billion.

GROUP OF ENTITIES

The "Group" comprises the following entities:

- Hospitality Property Fund Limited
- HPF Properties Proprietary Limited
- HPF Management Proprietary Limited
- Hospitality Property Fund Managers Proprietary Limited
- Hosbrook Ventures Proprietary Limited
- NIB 35 Proprietary Limited
- HPF Employee Incentive Trust.

REVIEW OF OPERATIONS

The results of the Group and Company are set out in the attached financial statements and notes.

DISTRIBUTIONS

The A-linked unit distribution for the year amounted to 148,21 (2014: 141,35) cents, an increase of 4.9%, and the B-linked unit distribution was 13,15 (2014: 33,45) cents, a decrease of 60.7% from the previous year.

The combined distribution for the year amounted to 161,36 (2014: 174.,0) cents, a decrease of 7.7% from the previous year.

Total B-linked unit distribution ended 60.7% below the rights issue market forecast distribution of 33,45 cents.

SHARE CAPITAL AND DEBENTURES

The authorised share capital of the Company consists of 200 million A-linked units and 200 million B-linked units of R0,0001 each, amounting to R40 000 in total. Each ordinary share is linked to a debenture of R9,40 and may only be traded on the JSE as a combined unit.

Further details of the share capital and debentures are set out in notes 12 and 14 of the financial statements.

ACQUISITIONS

At the end of December 2014, 25 additional sectional title units were acquired at the Radisson Blu Waterfront Hotel for a consideration of R76,6 million. The consideration was funded through the issue of 2 353 810 A- and 2 353 810 B-linked units at an average price of R15,99 and R4,69 respectively, as well as debt facilities.

On 8 August 2014, 4 additional rooms and public areas were acquired in Radisson Blu Gautrain Hotel for a consideration of R15,4 million. The consideration was funded through the issue of 478 011 A- and 478 011 B-linked units at an issue price of R16,48 and R5,12 respectively.

On 11 December 2014, a 35% undivided share in 215 rooms at the Birchwood Hotel and OR Tambo Conference Centre owned by Cloversgreen Investments Proprietary Limited was acquired for a consideration of R60 million. The consideration was funded through the issue of 3 303 965 A- and 3 303 965 B-linked units at a price of R14,87 and R3,29 respectively.

DISPOSALS

On 1 May 2015, the Group disposed of its interest in the Courtyard portfolio to City Lodge for a total consideration of R80 million.

The Groups' interest in the Courtyard portfolio comprised of:

- 50% share in Gallic Courtyard (Arcadia) Share Block Proprietary Limited;
- 50% share in Gallic Courtyard (Bruma Lake) Share Block Proprietary Limited;
- 50% share in Gallic Courtyard (Rosebank) Share Block Proprietary Limited;
- 50% share in Gallic Courtyard (Sandown) Share Block Proprietary Limited; and
- Five sectional title units at Courtyard Sandton and one at Courtyard Rosebank.

Considerations received from the above disposals will be utilised for future acquisitions of core properties and capital expenditure.

PROPERTY VALUATIONS

The property portfolio was revalued by an independent property valuer at R5,14 billion (2014: R4,83 billion), with the net asset value per linked unit being R11,74 (2014: R11,40) per A-linked unit and R11,74 (2014: R11,40) per B-linked unit.

The fair value of the properties held under Investment property (note 2), increased by R200,7 million (2014: R174,7 million). Acquisitions and capital expenditure for the year amounted to R154,6 million (2014: R19,2 million) and R87,3 million respectively (2014: R71,1 million).

The fair value of the properties held under non-current assets held for sale (note 11), decreased by R57,0 million (2014: decreased by R20,9 million). Capital expenditure for the year amounted to R2,3 million (2014: R13,9 million).

BORROWINGS

The average cost of borrowings for the Group was 9.12% (2014: 9.14%) and 67% of the Groups' borrowings were subject to fixed interest rates at 30 June 2015.

Facilities with financial institutions as at 30 June 2015, amounted to R0,97 billion (2014: R1,02 billion) with R0,89 billion (2014: R0,9 billion) being utilised at year-end.

Domestic medium-term note (DMTN) Programme

The Fund raised R140 million through the issue of secured notes in February 2015 to settle the unsecured note of R40 million that expired in April 2015. The additional R100 million raised, is to fund future capital expenditure projects.

Total notes in issue at year-end amounted to R970 million (2014: R870 million).

Borrowing facilities available to the Fund at 30 June 2015 was R1,94 billion with R1,86 billion withdrawn. Details regarding this can be found under note 15 of the financial statements. Total facilities expiring in the next 12 months, amounts to R230 million. These facilities relate to the secured note of R150 million and an unsecured note of R80 million issued in April 2013 and the Fund is considering its options to refinance this facility.

The Group's gearing ratio at 30 June 2015, was 36.2% (2014: 36.7%). The gearing ratio of the Group is the total interest-bearing liabilities divided by the total value of investment properties.

DIRECTORATE

The Board of directors comprises:

Independent non-executive chairman

Mr DG Bowden

Member

Executive		Independent non-executive	
Mr R Asmal	(Resigned 12 August 2015)	Mr KH Adbul-Karrim	(Resigned 31 December 2014)
Mr AS Rogers	(Resigned 22 June 2015)	Mrs L de Beer	
Mr GA Nelson	(Appointed as an executive 12 August 2015)	Mr SA Halliday	
		Mr ZN Kubukeli	
		Miss Z Ntwasa	
		Mr WC Ross	
		Mrs A Soni	(Resigned 30 March 2015)

Mr GA Nelson was appointed as the Acting Chief Executive Officer on 12 August 2015 and will continue in the role until such time that a new CEO appointment has been made.

In terms of the Company's Memorandum of Incorporation, Mr DG Bowden, Mr WC Ross, Mrs L de Beer and any other executive directors who may be appointed in the time leading up to the posting of the notice to the Annual General Meeting, retire by rotation and offer themselves for re-election.

DIRECTORS' INTEREST

The directors' holdings of linked units at 30 June 2015 were:

A-linked units (number of units)

	2015				2014			
	Direct beneficial	**Indirect beneficial**	**Held by associates**	**Total**	Direct beneficial	Indirect beneficial	Held by associates	Total
R Asmal	**10 400**	**–**	**–**	**10 400**	3 400	–	–	3 400
GA Nelson	**–**	**–**	**281 544**	**281 544**	–	–	281 544	281 544
	10 400	**–**	**281 544**	**291 944**	3 400	–	281 544	284 944

B-linked units (number of units)

	2015				2014			
	Direct beneficial	**Indirect beneficial**	**Held by associates**	**Total**	Direct beneficial	Indirect beneficial	Held by associates	Total
R Asmal	**70 000**	**–**	**–**	**70 000**	35 000	–	–	35 000
ZN Kubukeli*	**–**	**118 715**	**–**	**118 715**	–	–	–	–
GA Nelson	**–**	**–**	**825 625**	**825 625**	–	–	825 625	825 625
	70 000	**118 715**	**825 625**	**1 014 340**	35 000	–	825 625	860 625

**On 1 September 2014 Miavox Proprietary Limited (Miavox) took up 474 861 HPB linked units. Mr Kubukeli has a 25% interest in Miavox.*

Note: There have been no changes in the above interests from the year-end date to the date of this report. Executive directors' interest in the HPF Employee share scheme is disclosed in note 30.

DIRECTORS' REMUNERATION

Remuneration of directors is disclosed in note 27.4.

DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is disclosed in note 23.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Group and Company's status with regards to corporate governance and internal controls is set out in a separate statement in the integrated report on page 46.

SUBSIDIARY COMPANIES

Information relating to the Company's interest in its subsidiaries is detailed in note 6.

ASSOCIATE COMPANIES

Information relating to the Company's interest in its associates is detailed in note 7.

GOING CONCERN

The directors have made an assessment of the Company and its subsidiaries' ability to continue as a going concerns and there is no reason to believe that the businesses will not be going concerns during the year ahead. The Company has applied the solvency and liquidity test as required by the Companies Act, 2008 for both interim and final distribution payments.

SUBSEQUENT EVENTS

The Protea Hotel The Richards was sold on 19 August 2015 for a total consideration of R46 million.

On 21 August 2015, the Fund received the required majority vote from linked unitholders for its REIT capital restructure, whereby the Fund converts its linked unit structure into a share only structure. The restructure will be complete by 30 September 2015, in line with the extension granted to the Fund by the JSE Limited.

The directors are not aware of any matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the Group and Company financial statements that would significantly affect the operations, the results and the financial position of the Group and Company.

REAL ESTATE INVESTMENT TRUST

During the previous financial year, the new Memorandum of Incorporation was aligned with the Companies Act, 2008, and adopted at a Special General Meeting held on 28 January 2014.

The JSE Limited granted extension to the Fund until 30 September 2015 in order to convert its linked unit structure to shares. A separate shareholder and debenture holder meetings held on 21 August 2015, the requisite majority votes were obtained to covert from a linked unit to a share only structure.

REPORTABLE IRREGULARITY

On 22 June 2015, Mr AS Rogers resigned as a director from the Board of Hospitality Property Fund Limited and all Group related entities, and was dismissed as an employee of HPF Management Proprietary Limited.

Mr AS Rogers' dismissal related to the outcome of a forensic investigation and subsequent disciplinary hearing where various charges of misconduct were brought against Mr Rogers by the Company. The independent chairman who presided over the hearing found that Mr Rogers had breached his fiduciary duty of good faith to the Company, failed to disclose related party interests in contracts, and was involved in procurement irregularities. This had led to the irretrievable breakdown in trust between the Company and Mr Rogers, who was subsequently dismissed on the recommendation of the independent chairman presiding over the hearing.

In terms of section 45 of the Auditing Profession Act, 2005 (the APA), a registered auditor of an entity that is satisfied or has reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity must, without delay, send a written report to the Independent Regulatory Board for Auditors (IRBA).

In terms of the APA, a reportable irregularity is defined as any unlawful act or omission committed by any person responsible for the management of an entity, which:

(a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her dealings with that entity; or
(b) is fraudulent or amounts to theft; or
(c) represents a material breach of any fiduciary duty owed by such a person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

Based on the above definition and the findings of Mr Rogers' misconduct, the Company's auditor reported Reportable Irregularities to IRBA for Hospitality Property Fund Limited and HPF Properties Proprietary Limited.

The Board has taken steps, both during the investigation as well as after the dismissal of Mr Rogers, to identify and correct any related weaknesses in the internal controls, policies and procedures of the Group insofar as they have a bearing on the Group's employees.

Management, together with the assistance of an external independent advisors will critically review and expand on existing policies and procedures in order to improve processes and enhance internal controls. Where appropriate, new policies have either been implemented or are in the process of being implemented. On finalisation of the Group's policies and procedures manual, management and staff will be educated and trained on the content and implementation thereof.

The scope of the 2015 annual financial audit for the entire Group has also been expanded in order to focus on areas of risk identified during the investigation process.

The misconduct did not result in a direct known financial loss to the Group. However, the cost of the forensic investigation and legal fees amounted to R2 million. Ad-hoc fees of R0,45 million were accrued for non-executive directors, and will be tabled at the Annual General Meeting for approval.

The Board considers the matter as very serious and its strong stance in taking disciplinary action against Mr Rogers is evidence thereof.

The Board responded to the reportable irregularity reported, to indicate that action had been taken to rectify the matter. The external auditor submitted this response to the IRBA, which confirmed receipt thereof as well as the external auditor's conclusion that the irregularity was no longer taking place. The matter has thus been dealt with, to the satisfaction of all parties and is now closed.

COMPANY SECRETARY

The Company Secretary is HPF Management (Pty) Limited (Reg: No 2009/021472/07).
The appointed representative of HPF Management (Pty) Limited is Mrs LR van Onselen.
Business address: The Zone II, Lofts East Wing, 2nd Floor, Corner Oxford and Tyrwhitt Streets, Rosebank.
Postal address: PO Box 522195, Saxonwold, 2132.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hospitality Property Fund Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements and financial statements of Hospitality Property Fund Limited, which comprise the statements of financial position at 30 June 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 84 to 131.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Hospitality Property Fund Limited at 30 June 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Report of the Audit and Risk Committee and the Certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of Hospitality Property Fund Limited which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 32 of the financial statements.

KPMG Inc.
Registered Auditor

Per M Fouché
Chartered Accountant (SA)
Registered Auditor
Director

25 August 2015

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
ASSETS					
Non-current assets		**4 819 827**	4 536 393	**4 025 151**	3 793 798
Investment properties	2	**4 806 775**	4 514 950	**–**	–
Straight-line rent income accrual	3	**225**	1 050	**–**	–
Investment properties and related accrual		**4 807 000**	4 516 000	**–**	–
Furniture, fittings and equipment	4	**573**	942	**–**	–
Goodwill	5	**12 000**	19 200	**–**	–
Investment in subsidiary	6	**–**	–	**4 021 015**	3 783 230
Loan to HPF Share Incentive Trust	29	**–**	–	**4 136**	10 568
Investment in associates	7	**254**	251	**–**	–
Current assets		**626 033**	577 725	**3 654**	6 195
Non-current assets held for sale	11	**329 228**	311 900	**–**	–
Properties held for trading	9	**21 620**	20 535	**–**	–
Trade and other receivables	8	**71 035**	58 087	**3 620**	5 719
Cash and cash equivalents	10	**204 150**	187 203	**34**	476
Total assets		**5 445 860**	5 114 118	**4 028 805**	3 799 993
EQUITY AND LIABILITIES					
Equity		**970 747**	801 847	**501 239**	474 744
Share capital and share premium	12	**515 931**	481 316	**515 931**	481 316
Accumulated loss		**(2 332)**	13 289	**(14 692)**	(6 572)
Fair value reserve	13	**457 148**	307 242	**–**	–
Non-current liabilities		**4 045 809**	4 066 078	**3 165 837**	3 165 181
Debentures	14	**2 415 842**	2 325 186	**2 425 837**	2 335 181
Interest-bearing liabilities	15	**1 627 874**	1 732 627	**740 000**	830 000
Derivative liability	28,1	**2 093**	8 265	**–**	–
Current liabilities		**429 304**	246 193	**361 729**	160 068
Trade and other payables	17	**85 352**	87 917	**17 877**	1 654
Short-term portion of interest-bearing liabilities	15	**230 000**	40 000	**230 000**	40 000
Taxation		**100**	134	**–**	–
Debenture interest payable	23	**113 852**	118 142	**113 852**	118 414
Total equity and liabilities		**5 445 860**	5 114 118	**4 028 805**	3 799 993
Net asset value per linked unit (Rand)					
A-linked unit		**11,74**	11,40	**10,14**	10,17
B-linked unit		**11,74**	11,40	**10,14**	10,17

Net asset value per linked unit defined as (Total assets – Total liabilities + Debentures)/(Linked units in issue at end of year)

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Revenue		433 287	423 174	–	–
Rental income – contractual		434 112	426 276	–	–
– straight-line accrual	3	(825)	(3 102)	–	–
Operating income	19	–	–	248 075	254 822
Expenditure		(40 674)	(40 524)	(9 115)	(8 208)
Operating expenses		(40 674)	(40 524)	(9 115)	(8 208)
Operating profit	18	392 613	382 650	238 960	246 614
Net finance (cost)/income		(160 888)	(146 041)	715	438
Finance income	19	9 696	4 371	78 225	37 633
Finance costs	19	(170 584)	(150 412)	(77 510)	(37 195)
Profit before debenture interest, goodwill impairment, fair value adjustments and taxation		231 725	236 609	239 675	247 052
		(232 815)	(239 483)	(232 815)	(240 134)
Debenture interest	23	(232 815)	(240 014)	(232 815)	(240 665)
Recoupment of debenture interest		–	531	–	531
(Loss)/profit before fair value adjustments, goodwill impairment and taxation		(1 090)	(2 874)	6 860	6 918
Profit on disposal of investment properties		390	–	–	–
Fair value adjustments		143 531	116 275	(6 331)	–
Investment properties, before straight-lining adjustment		143 734	153 772	–	–
Straight-line rental income accrual	3	825	3 102	–	–
Total fair value of investment properties		144 559	156 874	–	–
Goodwill impairment	5	(7 200)	(53 400)	–	–
Inter-company loan impairment		–	–	(6 331)	–
Interest-rate swaps		6 172	12 801	–	–
Profit before taxation		142 831	113 401	529	6 918
Equity accounted profit from associate after tax	7	203	238	–	–
Debenture discount amortisation	19	(8 633)	(7 480)	(8 633)	(7 480)
Taxation	20	(116)	(181)	(16)	–
Total profit/(loss) and total comprehensive income for the year		134 285	105 978	(8 120)	(562)

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2015 (CONTINUED)

	Group		Company	
	2015	2014	**2015**	2014
Distribution per linked unit (cents)				
A-linked units				
– interim	**73,33**	69,83	**73,33**	69,83
– final	**74,88**	71,52	**74,88**	71,52
Total	**148,21**	141,35	**148,21**	141,35
B-linked units				
– interim	**9,12**	19,25	**9,12**	19,25
– final	**4,03**	14,20	**4,03**	14,20
Total	**13,15**	33,45	**13,15**	33,45
Earnings and diluted earnings per share (cents)				
A-units	**129,81**	126,46	**–**	–
B-units	**129,81**	126,46	**–**	–
	259,62	252,92	**–**	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Share capital R'000	Share premium R'000	Accumulated loss/retained earnings R'000	Fair value reserve R'000	Treasury share reserve* R'000	Total R'000
GROUP						
Balance at 30 June 2013	27	476 172	73 884	140 669	–	690 752
Total profit and comprehensive income for the year	–	–	105 978	–	–	105 978
Transactions with owners, recorded directly in equity	–	5 117	(166 573)	166 573	–	5 117
Issue of shares	–	5 194	–	–	–	5 194
Share issue expenses, net of tax	–	(77)	–	–	–	(77)
Treasury shares acquired*	–	–	–	–	–	–
Transfer to fair value reserve – investment properties	–	–	(153 772)	153 772	–	–
Transfer to fair value reserve – interest rate swaps	–	–	(12 801)	12 801	–	–
Balance at 30 June 2014	27	481 289	13 289	307 242	–	801 847
Total profit and comprehensive income for the year	–	–	134 285	–	–	134 285
Transactions with owners, recorded directly in equity	1	34 614	(149 906)	149 906	–	34 615
Issue of shares	1	34 614	–	–	–	34 615
Transfer to fair value reserve – investment properties	–	–	(143 734)	143 734	–	–
Transfer to fair value reserve – interest rate swaps	–	–	(6 172)	6 172	–	–
Balance at 30 June 2015	28	515 903	(2 332)	457 148	–	970 747

Amounts are smaller than R1 000

COMPANY						
Balance at 30 June 2013	27	476 172	(6 010)	–	–	470 189
Total loss and comprehensive income for the year	–	–	(562)	–	–	(562)
Transactions with owners, recorded directly in equity	–	5 117	–	–	–	5 117
Issue of shares	–	5 194	–	–	–	5 194
Share issue expense, net of tax	–	(77)	–	–	–	(77)
Balance at 30 June 2014	27	481 289	(6 572)	–	–	474 744
Total loss and comprehensive income for the year	–	–	(8 120)	–	–	(8 120)
Transactions with owners, recorded directly in equity	1	34 614	–	–	–	34 615
Issue of shares	1	34 614	–	–	–	34 615
Balance at 30 June 2015	28	515 903	(14 692)	–	–	501 239

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

	Notes	Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	22	**378 518**	391 132	**257 282**	241 824
Finance income received	19	**9 696**	4 371	**78 225**	37 633
Finance costs paid	19	**(170 584)**	(150 412)	**(77 510)**	(37 195)
Taxation paid		**(150)**	(1 200)	**(16)**	–
Distribution to unitholders	23	**(237 105)**	(227 607)	**(237 377)**	(227 986)
Net cash (outflow)/inflow from operating activities		**(19 625)**	16 284	**20 604**	14 276
CASH FROM INVESTING ACTIVITIES					
Acquisition and development of investment properties	24	**(244 204)**	(104 228)	**–**	–
Disposal of investment properties		**80 000**	–	**–**	–
Capital expenditure on properties held for trading		**(1 085)**	(827)	**–**	–
Net acquisition of furniture and equipment	4	**(224)**	(484)	**–**	–
Dividends received from associates	7	**200**	150	**–**	–
Loan repaid by/(advanced to) HPF Share Incentive Trust	29	**–**	–	**101**	(10 568)
Loan advanced to subsidiary		**–**	–	**(237 785)**	(622 627)
Net cash outflow from investing activities		**(165 313)**	(105 389)	**(237 684)**	(633 195)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of linked units		**116 638**	18 985	**116 638**	18 985
Share issue expenses paid		**–**	(77)	**–**	(77)
Acquisition of treasury shares		**–**	(9 995)	**–**	–
Interest-bearing liabilities raised		**85 247**	200 000	**100 000**	600 000
Net cash inflow from financing activities		**201 885**	208 913	**216 638**	618 908
Net increase/(decrease) in cash and cash equivalents		**16 947**	119 808	**(442)**	(11)
Cash and cash equivalents at beginning of year		**187 203**	67 395	**476**	487
Cash and cash equivalents at end of year	10	**204 150**	187 203	**34**	476

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. ACCOUNTING POLICIES

Hospitality Property Fund Limited ("the Company") is a Company domiciled in South Africa. The Group and separate financial statements for the year ended 30 June 2015 comprise those of the Company, its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily focused on the investment in hotel properties. The financial statements were authorised for issue by the directors on 25 August 2015.

Where reference is made to the "entity", this means the Company or the Group as appropriate in the context.

1.1 Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the interpretations issued respectively by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 2008 of South Africa.

1.2 Basis of preparation

The financial statements are presented in Rands, which is the functional currency of all the group entities, rounded to the nearest thousand. They are prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value. Fair value adjustments (where applicable) do not affect the calculation of distributable earnings but do affect the net asset value per linked unit to the extent that adjustments are made to the carrying values of assets and liabilities.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed under note 2, 11 and 28.

Except for the following accounting policies adopted during the current financial year, the Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)
- Recoverable Amount Disclosed for Non-Financial Assets (Amendment to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- Annual Improvements to IFRS 2010 – 2012
- Annual Improvements to IFRS 2011 – 2013

There was no material impact on the financial statements identified based on management's assessment of these standards.

1.3 Basis of consolidation

1.3.1 Business combinations

All business combinations are accounted for by applying the acquisition method.

The Group controls an entity when it 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. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

1.3 Basis of consolidation (continued)

1.3.1 Business combinations (continued)

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest either at its proportionate interest in the identifiable net assets of the acquiree or at fair value. This election is made for each business combination.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred, except if it is related to the issue of debt or equity securities.

1.3.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the case of the Company, investments in subsidiaries are measured at cost less impairment losses.

The Group has not changed its control conclusion in respect of its investments in subsidiaries.

1.3.3 Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of any losses exceeds its interest in the associate, the carrying amount of that investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

1.3.4 Transaction eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Investment properties

Investment properties consist of properties acquired to earn rental income for the long term and subsequent capital appreciation. Properties are recognised initially at cost on acquisition, which comprises the purchase price and directly attributable expenditure. The nature of these properties are hotels and includes furniture, fixtures and equipment and the underlying hotel business.

Subsequent expenditure is capitalised when it is probable that future economic benefits from the use of the investment property will flow to the Group. On redeveloping an existing investment property, all costs directly attributable to the construction (including borrowing costs) are capitalised. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition investment properties are measured at their fair value. Fair value is determined annually based on the open market value basis, using either the discounted cash flow method or the capitalisation of net income method. Gains or losses arising from

changes in fair value are included in profit or loss for the period in which they arise. These gains or losses, net of deferred taxation, are transferred to a fair value reserve as they are not available for distribution.

On disposal of investment properties, the difference between the net disposal proceeds and the fair value at the date of the last valuation is charged or credited to profit or loss and transferred to the fair value reserve.

When the Group begins to refurbish an existing investment property for continued future use as investment property, the property remains classified as investment property, which is measured based on the fair value model.

1.5 Properties held for trading

Properties held for trading comprise properties acquired as well as properties developed with the intention of disposing them for profit, and are recorded at the lower of cost and net realisable value.

Costs include all costs of purchase, transaction costs, costs of conversion and other costs incurred in bringing the properties to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of selling.

1.6 Non-current assets held for sale

Classification

Non-current assets held for sale, are those investment properties whose carrying amount will be recovered principally through sale rather than use. To classify the investment property as a non-current asset held for sale, it must be available for immediate sale in its present condition, subject only to terms that are usual for the sale of such assets, and the sale must be highly probable within a year. For the sale to be highly probable, management must be committed to a plan to dispose of the investment properties, actively market them, and expect that the properties will be sold within a year.

Measurement

The investment properties held for sale, are measured in terms of IAS40 at fair value.

1.7 Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, plus directly attributable transaction costs for financial instruments other than those classified at fair value through profit or loss. Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, loan to subsidiary, other financial liabilities and derivative financial instruments.

Financial instruments include the following instruments per category:

Financial liabilities at fair value through profit or loss

Derivative financial assets

Loans and receivables

Cash and cash equivalents
Trade and other receivables
Loan to subsidiary

Other financial liabilities

Trade and other payables
Interest-bearing borrowings
Debentures
Derivative financial liabilities

Subsequent to initial recognition, financial instruments are measured on the basis set out below.

1.7 Financial instruments (continued)

1.7.1 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value. Cash and cash equivalents are subsequently measured at amortised cost which is equivalent to fair value.

1.7.2 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Receivables with a short duration are not discounted as the effects of discounting are immaterial.

1.7.3 Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest method. Payables with a short duration are not discounted as the effects of discounting are immaterial.

1.7.4 Other financial liabilities

Interest-bearing borrowings and debentures are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

1.7.5 Derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to interest rate risk arising from its financing activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, as the hedge relationship is not designated as a hedge for accounting purposes, the derivatives are accounted for as trading instruments.

Subsequent to initial recognition derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Any gains or losses on these financial instruments arising from changes in fair value do not affect distributable earnings. These gains or losses are transferred from retained earnings to a fair value reserve as they are not available for distribution.

The only financial derivative instruments held by the Group are interest rate swaps. The fair value of an interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking account of current interest rates and the current creditworthiness of the swap counterparties.

1.7.6 De-recognition

The Group de-recognises a financial asset when and only when:

(a) the contractual rights to the cash flows arising from the financial asset have expired in the Group; or

(b) it transfers the rights to receive the contractual cash flows on the financial asset including transferring substantially all the risks and rewards of ownership of the asset; or

(c) it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset. If the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is de-recognised when and only when the liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or has expired.

1.7.7 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7.8 Impairment

Financial assets carried at amortised cost are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that trade and other receivables are impaired includes default or delinquency by a debtor.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment and, if found not to be specifically impaired, are collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss reversals are recognised in profit or loss.

1.8 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds, net of any tax effects.

1.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.10 Revenue recognition

1.10.1 Rental income

Revenue from the letting of investment property comprises rentals (excluding VAT) and is recognised on a straight-line basis over the term of the lease. Contingent rentals are included in revenue when the amounts can be reliably measured. Recoveries of costs from lessees, where the Group merely acts as agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

1.10.2 Finance income

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.10.3 Interest income from subsidiaries

Interest income is earned by the Company on its investments in its subsidiary, refer to note 6.

1.11 Expenses

1.11.1 Letting costs

Letting costs, which include tenant installations and letting commissions are recognised in profit or loss over the period of the applicable lease, with the deferred portion being included in receivables.

1.11 Expenses (continued)

1.11.2 Finance costs

Finance costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The amount of finance costs eligible for capitalisation is the actual finance costs on funds borrowed in respect of the specific asset less any temporary investment income on those borrowings. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended uses are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest rate method.

1.12 Taxation

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 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 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.

Non-REIT assets and liabilities

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

REIT assets and liabilities

In respect of 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 for 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 (current 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.

1.13 Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group's chief operating decision-maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Performance is measured based on segment profit before income tax, 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. Segment profit includes actual rental cash flows and does not include straight-lining of leases adjustments, nor does it include any fair value adjustments. Inter-segments pricing is determined on an arm's length basis.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment properties) and related revenue, loans, debentures, deferred tax, income tax assets or liabilities, borrowings and related expenses.

Segment capital expenditure is the total cost incurred during the period to acquire, refurbish and upgrade investment properties.

1.14 Employee benefits

1.14.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries and leave represent the amount which the Group has a present obligation to pay as a result of the employees' services provided to the reporting date.

1.14.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

1.14.3 Share-based payment transaction

The fair value of the amount payable to employees in respect of the Share Appreciation Rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at a settlement date based on the fair value of the SARs. Any change in the measurement of the liability is recognised in profit or loss.

1.14.4 Accounting for the HPF Employee Incentive trust

The trust is a separate legal entity and in terms of IFRS 10: *Consolidated Financial Statements* is accounted for as a subsidiary and part of the Group.

1.15 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of businesses is included in intangible assets. For measurement of goodwill at initial recognition, see note 1.3.1.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

1.16 Furniture, fittings and equipment

(i) Recognition and measurement

Items of furniture, fittings and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of furniture, fittings and equipment have different useful lives, they are accounted for as separate items (major components) of furniture, fittings and equipment.

Gains and losses on disposal of an item of furniture, fittings and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture, fittings and equipment, and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of furniture, fittings and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of furniture, fittings and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated based on the asset's depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture, fittings and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2015	2014
Furniture, fittings and equipment	.	3 – 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.17 Impairment of non-financial assets

The carrying amount of the Group's assets, other than investment property and deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the period in which they are incurred.

The recoverable amount of these assets is the greater of their fair value less cost of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss reversals are recognised in profit or loss.

1.18 Leases

The Group is party to numerous leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the Group retains a significant portion of the risks and rewards of ownership. An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the Group is currently entitled to and the rental for the period calculated on a smoothed, straight-line basis over the period of the lease term. The Group is also party to leasing contracts as the lessee of some property and equipment. Operating lease rentals with fixed escalation clauses are recognised in profit or loss on a straight-line basis over the lease term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease asset or operating lease liability.

1.19 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard under notes 2, 11, 16 and 28.1.

1.20 Use of judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources. Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value for measurement and disclosure purposes. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. These revisions are recognised in the period in which they are revised or any future period affected.

A controlled framework is in place in respect of the measurement of fair values. This includes the analyst team that oversees the fair value measurements for investment properties, valued by an independent valuer, who reports directly to the Financial Director. Financial instruments measured at fair value, are adjusted for changes to its fair value as presented by the contracting financial institution.

When measuring the fair value of an asset or liability, market observable data are used as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be catogorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between the levels of the fair value hierarchy are done at the end of the reporting period during which the change has occurred.

1.21 New and amended IFRS standards not yet effective

There are a number of forthcoming new standards and interpretations and amendments to currently effective standards and interpretations, which have been issued by the IASB prior to the publication of these financial statements, but which are effective only in future accounting periods, unless early adoption is chosen. The following would be applicable to the Group:

IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Group for the year ending 30 June 2019. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the charactaristics of their contractual cash flows. The Group has not yet made an assessment of the potential impact on the financial statements.

IFRS 15: Revenue from Contracts with Customers

On 28 May 2014, the IASB issued IFRS15: *Revenue from Contracts with Customers* which replaces the existing IFRS guidance and introduces a new revenue recognition model for contracts with customers. It also requires extensive new disclosures. IFRS 15 will be adopted for the year ending 30 June 2019. The effective date of the standard is annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet made an assessment of the potential impact on the financial statements.

Amendments to IFRS 11: Joint arrangements

The amendments to IFRS11 require business combination accounting to be applied to acquisitions of interest in a joint operation that constitutes a business. Business combination accounting will also apply to the acquisition of additional interest in a joint operation while the joint operator retains control.

The additional interest acquired will be measured at fair value. The Group has not yet made an assessment of the potential impact on the financial statements, but will adopt IFRS 11 for the year ending 30 June 2017.

The effective date of the amendment, applicable retrospectively, is annual periods beginning on or after 1 January 2016.

Amendments to IAS 27: Equity method in separate financial statements

The amendments allow an enity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The Group has not yet made an assessment of the potential impact on the financial statements, but will adopt the amendments to IAS 27 for the year ending 30 June 2017.

The effective date of the amendments, applicable retrospectively, is for annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10: Consolidated Financial Statement and IAS 28: Investment in Associates

The amendments require the full gain to be recognised when assets transferred between and investor and its associate or joint venture meet the definition of a "business" under IFRS 3: *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The Group has not yet made an assessment of the potential impact on the financial statements, but will adopt the amendments to IAS 27 for the year ending 30 June 2017.

The effective date of the amendments, applicable retrospectively, is for annual periods beginning on or after 1 January 2016.

Improvements projects of the IASB

The IASB makes amendments to certain Standards and Interpretations in issue. Some of the amendments made during the 2015 and 2016 improvements projects are not yet effective. Management have considered all the improvements and have concluded that they will have either no or minimal impact with the exception.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
2. INVESTMENT PROPERTIES				
Balance at beginning of year	**4 514 950**	4 246 848	–	–
Additions at cost – capitalised expenditure	**87 287**	71 142	–	–
Additions – acquisitions at fair value	**154 627**	19 195	–	–
Transfer to non-current assets held for sale	**(72 000)**	–	–	–
Disposals	**(79 610)**	–	–	–
Fair value adjustment	**200 696**	174 663	–	–
	4 805 950	4 511 848	–	–
Adjust: Straight-line rental income accrual	**825**	3 102	–	–
Properties at fair value	**4 806 775**	4 514 950	–	–

The investment property portfolio serves as collateral against loans from funding banks and secured notes. Refer to note 15.

Measurement of fair value

(i) Fair value hierarchy

Investment properties were independently valued at 30 June 2015. The valuation of the portfolio was performed by Mr B van Vuuren, Professional Associate Valuer, from JHI (Gensec Property Services Limited). The valuations are done on an annual basis on the entire portfolio of investment properties.

The fair value measurement for the investment properties of R4,8 billion has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Hierarchy levels

– Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

– Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

– Level 3: Inputs for assets or liabilities that are not based on observable market data.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
(ii) Level 3 fair value				
Reconciliation				
Balance as at 1 July	**4 514 950**	4 246 848	–	–
Acquisitions and capital expenditure	**241 914**	90 337	–	–
Adjust: Straight-line rental income accrual	**825**	3 102	–	–
Disposal	**(79 610)**	–	–	–
Transfer to non-current assets held for sale	**(72 000)**	–	–	–
Gains included in "Fair value adjustments"			–	–
– Unrealised changes in fair value	**200 696**	174 663	–	–
Balance as at 30 June	**4 806 775**	4 514 950	–	–

2. INVESTMENT PROPERTIES (continued)

(iii) Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, together with its movables, operating equipment and the business, taking into account expected rental growth rates, void periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a hotel property, its movables, operating equipment and business, its location and lease terms.	– Expected rental/hotel net profit growth varies between a decrease of 18.6% and a growth of 15.7%. The weighted average growth rate applied in the rental income/hotel net profit is 5.7%; – Risk-adjusted discount rates varies between 13.50% and 15.00%, with a weighted average discount rate of 14.11%.	The estimated fair value would increase/(decrease) if: – expected rentals/hotel net profit growth were higher/(lower); – Risk-adjusted discount rates were lower/(higher).

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
3. STRAIGHT-LINE RENT INCOME ACCRUAL				
Balance at beginning of year	**1 050**	4 152	–	–
Straight-line rental reversed during year	**(825)**	(3 102)	–	–
Balance at end of year	**225**	1 050	–	–
4. FURNITURE, FITTINGS AND EQUIPMENT				
COST				
Balance at beginning of year	**1 962**	1 582	–	–
Acquisition during year	**235**	503	–	–
Disposals	**(11)**	(123)	–	–
Balance at end of year	**2 186**	1 962	–	–
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at beginning of year	**1 020**	683	–	–
Depreciation for the year	**593**	441	–	–
Disposals	**–**	(104)	–	–
Balance at end of year	**1 613**	1 020	–	–
CARRYING AMOUNT				
Balance at beginning of year	**942**	899	–	–
Balance at end of year	**573**	942	–	–
5. GOODWILL				
Opening balance	**19 200**	72 600	–	–
Impairment loss	**(7 200)**	(53 400)	–	–
Carrying amount at year-end	**12 000**	19 200	–	–

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing goodwill is allocated to the Group's management services entity, which represents the asset management business within the Group where goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. It was determined that the recoverable amount was lower than the carrying amount and therefore an impairment loss of R7,2 million was recognised. The recoverable amount was calculated by discounting the projected future cash flows generated from the continuing use of the unit and was based on the following key assumptions and past experience:

(a) The management contract will continue on the same terms that were in place previously namely;

– an annual management fee of 0.5% of the Group's enterprise value which comprise a combination of interest bearing debt and market capitalisation; and

– 1% acquisition and development fee.

(b) Remuneration in respect of all staff employed by the asset management company will grow in line with inflation;

(c) Rental cost of premises and all overheads will change in line with inflation;

(d) The value in use was calculated based on an amount equivalent to the estimated future cash flow of HPF Management over five years (based on the purchase agreement) from 2016 to 2020. The cash flow of HPF Management for each of the years was calculated by taking the net profit before tax and depreciation cash flows from the operation for each of the years escalated by the CPI for a five-year forecast period and discounting the forecast cash flows by the average yield of Hospitality Property Fund Limited over the previous five years, which amounted to 8.52% (2014: 8.39%).

The impairment of the goodwill is mainly driven by the historic levels of the A- and B-linked unit prices, the assumption that acquisitions would take place in the current year that did not realise and the re-evaluation, as well as increased expenditure in the management company.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
6. INVESTMENT IN SUBSIDIARY				
Shares at cost (R 120)*	–	–	–	–
Loan to HPF Properties Proprietary Limited	–	–	**4 021 015**	3 783 230
	–	–	**4 021 015**	3 783 230

Amount smaller than R1 000

The subsidiary's principal activity is investment in properties in the hotel and leisure sector. The subsidiary has an issued share capital of R120 and is wholly owned by the Company. The loan to HPF Properties Proprietary Limited is unsecured and repayable on demand.

An amount of R78,2 million (2014: R37,6 million) in interest and R248,1 million (2014: R254,8 million) in dividends were paid to the holding company during year.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
7. INVESTMENT IN ASSOCIATES				
Vexicure Proprietary Limited				
Opening balance	**251**	163	–	–
Profit attributable to HPF Properties Proprietary Limited	**203**	238	–	–
Dividends received	**(200)**	(150)	–	–
Carrying amount of investment	**254**	251	–	–

Vexicure Proprietary Limited (Vexicure) was incorporated on 17 September 2009 and was purchased by HPF Properties Proprietary Limited for R120.

Vexicure was a dormant entity on acquisition date, and commenced trading on 13 May 2011 as the tenant for The Westin Cape Town hotel. Ninety-five percent of the shareholding in Vexicure was sold to Pan-African Capital Holdings Proprietary Limited on 13 May 2011. Subsequently, Pan-African Capital Holdings Proprietary Limited has sold 15% of Vexicure Proprietary Limited to the WCT Hotel Share Incentive Trust which was incorporated in the 2012 financial year.

Vexicure is a strategic partner and associate to the Fund, as it leases the Westin hotel property and contributed 23.5% (2014: 20.6%) to the consolidated rental income. The Fund is represented by two (in terms of the shareholders agreement) of the five directors of its Board of directors and therefore exercises significant influence.

	2015 R'000	2014 R'000
Summary of Vexicure's Statement of Financial Position which represents 100%		
ASSETS		
Non-current assets	**61**	1 133
Current assets	**46 515**	38 848
Total assets	**46 576**	39 981
EQUITIES AND LIABILITIES		
Capital and reserves	**5 135**	4 778
Current liabilities	**41 441**	35 203
Total equities and liabilities	**46 576**	39 981
Summary of Vexicure's Statement of Comprehensive Income		
Revenue	**302 251**	266 282
Gross profit	**248 357**	182 622
Total operating expenditure	**(141 170)**	(89 562)
Rental to HPF Properties Proprietary Limited	**(101 554)**	(87 731)
Taxation	**(1 576)**	(572)
Profit and total comprehensive income for the year	**4 057**	4 757
Profit attributable to the HPF Group	**203**	238

Ash Brook Investments 72 Proprietary Limited

Ash Brook Investments 72 Proprietary Limited (Ash Brook) was incorporated on 14 August 2007 and commenced trading on the same day. The company was acquired on 30 April 2013 by HPF Properties Proprietary Limited for R100, with 85% being subsequently sold to Khomelela Investments Proprietary Limited for R85.

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.

	2015 R'000	2014 R'000
Summary of Ash Brook's Statement of Financial Position which represents 100%		
ASSETS		
Non-current assets	1 315	1 020
Current assets	29 896	26 481
Total assets	31 211	27 501
EQUITIES AND LIABILITIES		
Capital and reserves	(1 190)	(737)
Non-current liabilities	9 933	9 932
Current liabilities	22 468	18 306
Total equities and liabilities	31 211	27 501
Summary of Ash Brook's Statement of Comprehensive Income		
Revenue	116 812	126 697
Gross profit	105 838	114 157
Total operating expenditure	(70 156)	(69 496)
Rental to HPF Properties Proprietary Limited	(35 502)	(42 947)
Taxation	294	365
Profit and total comprehensive income for the year	474	2 079
Profit attributable to the HPF Group	71	312

No profit attributable to the HPF Group has been recognised as the accumulated loss to 30 June 2015 after taking the above into account amounts to R179 000. The Groups' liability to the accumulated loss is Rnil.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	70 577	57 449	3 175	5 284
Prepayments	458	638	445	435
Trade and other receivables	71 035	58 087	3 620	5 719
Financial assets	70 577	57 449	3 175	5 284
Non-financial assets	458	638	445	435
9. PROPERTIES HELD FOR TRADING				
Properties acquired and held for trading	21 620	20 535	–	–

Properties held for trading comprise land held for sale at the phase two development at the Arabella Hotel and Spa estate in Kleinmond, which are measured at cost. The increase in the carrying amount relates to capitalised costs. During the year, the Minister of Western Cape Local Government, Environmental Affair and Development Planning approved the development of the property. The Board is exploring the various options available to the Group in order to realise a profit from the phase two land.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
10. CASH AND CASH EQUIVALENTS				
Bank balances of current and call accounts	204 150	187 203	34	476

The Fund has an unutilised facility of R44 million with Nedbank.

	Group				
	Valuation at 30 June 2014 R'000	Transfer R'000	Capital expenditure R'000	Fair value adjustment R'000	**Valuation at 30 June 2015 R'000**
11. NON-CURRENT ASSETS HELD FOR SALE					
The following investment properties have been identified for disposal in the next year					
Protea Hotel – The Winkler	41 000	–	(88)	(14 912)	**26 000**
Protea Hotel – Hazyview	33 000	–	213	12 787	**46 000**
Protea Hotel – The Richards*	68 000	–	433	(22 433)	**46 000**
The Bayshore Inn	39 000	–	381	(3 381)	**36 000**
Protea Hotel – Imperial	30 000	–	(352)	(4 648)	**25 000**
Protea Hotel – Hluhluwe & Safaris*	18 900	–	982	(5 382)	**14 500**
Kopanong Hotel and Conference Centre	82 000	–	176	(2 448)	**79 728**
Protea Hotel Richards Bay	–	37 000	290	(9 290)	**28 000**
Premier Hotel King David*	–	35 000	252	(7 252)	**28 000**
	311 900	72 000	2 287	(56 959)	**329 228**

The above investment properties have been identified for disposal and have therefore been classified as non-current assets held for sale. The above assets are available for immediate sale in their present condition, management is committed to the disposal plan and actively searching for a buyer at the above fair value price. The properties are all profitable, but considered non-core to the Fund and as such has been placed on the disposal list.

Measurement of fair value

(i) Fair value hierarchy

Non-current assets held for sale (Investment properties) were independently valued at 30 June 2015. The valuation of the portfolio was performed by Mr B van Vuuren, Professional Associate Valuer, from JHI (Gensec Property Services Limited). The valuations are done on an annual basis on the entire portfolio of investment properties.

*Sales agreements for Protea Hotel – The Richards, Protea Hotel – Hluhluwe & Safaris and Premier Hotel King David have been concluded. The above fair value of these three properties are reflective of the purchase consideration per the relevant sales agreements concluded.

The fair value measurement for the investment properties of R329,2 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Hierarchy levels

– Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

– Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

– Level 3: Inputs for assets or liabilities that are not based on observable market data.

	2015 R'000	2014 R'000
(ii) Level 3 fair value		
Reconciliation		
Balance as at 1 July	**311 900**	318 900
Capital expenditure	**2 287**	13 891
Transfer to non-current assets held for sale	**72 000**	–
Gains included in "Fair value adjustments"		
– Unrealised changes in fair value	**(56 959)**	(20 891)
Balance as at 30 June	**329 228**	311 900

(iii) Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, together with its movables, operating equipment and the business, taking into account expected rental growth rates, void periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a hotel property, its movables, operating equipment and hotel operation, its location and lease terms.	– Expected rental/hotel net profit growth varies between a decrease of 17.4% and a growth of 58.2%. The weighted average growth rate applied in the rental income/ hotel net profit is 6.7%. – Risk-adjusted discount rates was between 14.00% and 15.00%, with a weighted average discount rate of 14.92%.	The estimated fair value would increase/ (decrease) if: – expected rentals/hotel net profit growth were higher/(lower); – Risk-adjusted discount rates were lower/ (higher).

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
12. SHARE CAPITAL AND SHARE PREMIUM				
Share capital				
Authorised				
A shares – 200 000 000 ordinary shares of R0,0001 each	**20**	20	**20**	20
B shares – 200 000 000 ordinary shares of R0,0001 each	**20**	20	**20**	20
Issued				
A shares – 144 285 503 (2014: 138 149 717) ordinary shares of R0,0001 each	**14,4**	13,8	**14,4**	13,8
B shares – 144 285 503 (2014:138 149 717) ordinary shares of R0,0001 each	**14,4**	13,8	**14,4**	13,8
	28,8	27,6	**28,8**	27,6
Shares held in treasury				
B shares – 1 969 710 ordinary shares of R0,0001 each	**(0,2)**	(0,2)	**–**	–
Issued shares less shares held in treasury				
A shares – 144 285 503 (2014: 138 149 717) ordinary shares of R0,0001 each	**14,4**	13,8	**14,4**	13,8
B shares – 144 285 503 (2014: 138 149 717) ordinary shares of R0,0001 each	**14,2**	13,6	**14,4**	13,8
	28,6	27,4	**28,8**	27,6

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
12. SHARE CAPITAL AND SHARE PREMIUM (continued)				
Reconciliation of the number of shares in issue				
Opening balance				
A shares	**138 150**	137 237	**138 150**	137 237
B shares	**136 180**	137 237	**138 150**	137 237
	274 330	274 474	**276 300**	274 474
Issued during the year				
A shares – specific issue	**6 135**	913	**6 135**	913
B shares – specific issue	**6 135**	913	**6 135**	913
	12 270	1 826	**12 270**	1 826
Shares held in treasury				
A shares	**–**	–	**–**	–
B shares	**–**	(1 970)	**–**	–
	–	(1 970)	**–**	–
Closing balance				
A shares	**144 285**	138 150	**144 285**	138 150
B shares	**142 315**	136 180	**144 285**	138 150
	286 600	274 330	**288 570**	276 300

Each share is linked to a debenture, which together form a linked unit.

10% of the unissued shares are under the control of the directors of the Company subject to the provisions of the Companies Act, 2008 and the requirements of the JSE Limited.

Between July 2014 and December 2014, 25 additional sectional title units were acquired in the Waterclub Court Body Corporate (Radisson Blu Waterfront Hotel) for a consideration of R76,4 million collectively from three different owners. The consideration was funded through the issue of 2 353 810 A- and B-linked units at an average issue price of R15,99 and R4,.69 respectively. On 8 August 2014, 4 additional rooms and public areas were acquired in Radisson Blu Gautrain Hotel for a consideration of R15,4 million from Savana Property Proprietary Limited. The consideration was funded through the issue of 478 011 A- and B-linked units at an issue price of R16,48 and R5,12 respectively. On 11 December 2014, a 35% undivided share in 215 rooms at the Birchwood Hotel & OR Tambo Conference Centre owned by Cloversgreen Investments Proprietary Limited was acquired for a consideration of R60 million. The consideration was funded through the issue of 3 303 965 A- and 3 303 965 B-linked units at a price of R14,87 and R3,29 respectively.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Share premium				
Balance at beginning of year	**481 289**	476 172	**481 289**	476 172
Premium on share issue	**34 614**	5 194	**34 614**	5 194
Share issue expenses	**–**	(77)	**–**	(77)
Share capital and share premium	**515 903**	481 289	**515 903**	481 289
Balance at end of year	**515 931**	481 316	**515 931**	481 316
Shares held in treasury				
Opening balance	**–**	–	**–**	–
Acquired during the prior year (1 969 710 at par of R0,0001)*	**–**	–	**–**	–
Closing balance	**–**	–	**–**	–

Amounts are smaller than R1 000.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
13. FAIR VALUE RESERVE				
Fair valuation of investment properties	**572 984**	429 250	–	–
Fair valuation of interest rate swap	**(115 836)**	(122 008)	–	–
	457 148	307 242	–	–

The non-distributable reserve encompasses all adjustments to the fair values of investment properties and financial instruments.

14. DEBENTURES				
Issued and maturity value	**2 415 842**	2 325 186	**2 425 837**	2 335 181
A linked units – 144 285 503 (2014 : 138 149 717) debentures at R9,40 each	**1 356 283**	1 298 607	**1 356 283**	1 298 607
B linked units – 144 285 503 (2014 : 138 149 717) debentures at R9,40 each	**1 356 283**	1 298 607	**1 356 283**	1 298 607
Balance of unamortised debenture discount on B-linked units	**(286 729)**	(262 033)	**(286 729)**	(262 033)
B-linked unit – 1 969 710 debentures held by Trust	**(9 995)**	(9 995)	–	–

	Group and Company			
	2015		2014	
	A units	**B units**	A units	B units
Reconciliation				
Opening balance	**1 298 607**	**1 036 574**	1 290 033	1 024 408
Debentures issued on 29 July 2014: 1 570 050 (2014: 346 968) at R9,40 (2014: R9.40) and R5.10 (2014: R5.20) respectively	**14 758**	**7 778**	3 261	1 804
Debentures issued on 8 August 2014: 478 011 (2014: 565 219) at R9,40 and R5.12 (2014: R5.10) respectively	**4 493**	**2 379**	5 313	2 882
Debentures issued on 1 September 2014: 474 861 at R9.40 and R5.00 respectively	**4 464**	**2 307**	–	–
Debentures issued on 28 November 2014: 308 899 at R9.40 and R3.28 respectively	**2 904**	**1 013**	–	–
Debentures issued on 15 December 2014: 3 303 965 at R9.40 and R3.29 respectively	**31 057**	**10 870**	–	–
Debenture discount amortisation	**–**	**8 633**	–	7 480
	1 356 283	**1 069 554**	1 298 607	1 036 574
Balance of unamortised debenture discount on B linked units	**–**	**286 729**	–	262 033
Closing balance	**1 356 283**	**1 356 283**	1 298 607	1 298 607

The B-linked- units were issued at a discount to its maturity value of R9,40. The result is that the discount will be amortised over the period in order to raise the debenture liability back to its maturity value at expiry date, being 10 February 2036. The current amount amortised amounted to R8,6 million (2014: R7,5 million). Refer to note 19.

Each debenture is linked to a share, which together form a linked unit. The aggregate distribution of interest on the linked units will be not less than 99,99% of the net income as defined in the debenture trust deed. Interest distributions will be payable six-monthly.

The debentures are redeemable at their nominal value at the instance of the debenture holders any time after 25 years after the date of allotment. The right of redemption may be exercised only by special resolution of the debenture holders. Upon passing of the special resolution the debentures shall be redeemed by the Company at their nominal value on the fifth anniversary of the date on which the special resolution was passed. The debenture trust deed is available for inspection by linked unit holders or their duly authorised agents at the registered office of the Company.

14. DEBENTURES (continued)

The rights of debenture holders to repayment are subordinated to the claims of the unsubordinated creditors.

Subject to the subordination provisions, the debentures will be repayable if a final order of a competent court is made or an effective resolution is passed for the winding up of the Company.

Debentures held in treasury

During the prior year, the HPF Employee Incentive Trust (Trust) acquired 1 969 710 B-linked units. As the Trust has been consolidated in terms of IFRS 10, the following debentures are considered to be debentures held in treasury which are measured at cost:

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Opening balance	**9 995**	–	**–**	–
Acquired at cost (1 969 710 at R5,07):	**–**	9 995	**–**	–
Closing balance	**9 995**	9 995	**–**	–

15. INTEREST-BEARING LIABILITIES

Non-current	Interest rate				
Nedbank Limited					
– Loan 1 – expiry: February 2020	3M JIBAR+2.67%	**176 300**	176 300	**–**	–
– Loan 2 – expiry: October 2019	3M JIBAR+2.8%	**346 077**	346 077	**–**	–
– Loan 3 – expiry: October 2018	3M JIBAR+2.85%	**30 250**	30 250	**–**	–
– Loan 4 – expiry: February 2018	3M JIBAR+2.38%	**150 000**	150 000	**–**	–
– Loan 5 – expiry: June 2016	3M JIBAR+2.84%	**–**	150 000	**–**	–
– Loan 6 – expiry: February 2018	3M JIBAR+2.38%	**–**	50 000	**–**	–
– Loan 7 – expiry: July 2018	3M JIBAR+2.38%	**35 247**	–	**–**	–
– Loan 8 – expiry: July 2018 (Revolving)	3M JIBAR+2.75%	**150 000**	–	**–**	–
		887 874	902 627	**–**	–
Domestic Medium-term Note Programme					
– Secured note HPF01 – expiry: April 2016	3M JIBAR+1.82%	**–**	150 000	**–**	150 000
– Unsecured note HPF03 – expiry: April 2016	3M JIBAR+2.7%	**–**	80 000	**–**	80 000
– Secured note HPF04 – expiry: Feb 2017	3M JIBAR+2.0%	**300 000**	300 000	**300 000**	300 000
– Secured note HPF04.1 – expiry: Feb 2017	3M JIBAR+2.0%	**100 000**	100 000	**100 000**	100 000
– Secured note HPF05 – expiry: Feb 2017	Fixed 9.89%	**200 000**	200 000	**200 000**	200 000
– Secured note HPF06 – expiry: February 2020	3M JIBAR+2.8%	**60 000**	–	**60 000**	–
– Secured note HPF07 – expiry: August 2017	3M JIBAR+2.25%	**80 000**	–	**80 000**	–
		740 000	830 000	**740 000**	830 000
		1 627 874	1 732 627	**740 000**	830 000

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Current					
Domestic Medium-term Note Programme					
– Secured note HPF01 – expiry: April 2016	3M JIBAR+1,82%	**150 000**	–	**150 000**	–
– Unsecured note HPF03 – expiry: April 2016	3M JIBAR+2,7%	**80 000**	–	**80 000**	–
– Unsecured note HPF02 – expiry: April 2015	3M JIBAR+2,4%	–	40 000	–	40 000
		230 000	40 000	**230 000**	40 000
Total interest-bearing liabilities		**1 857 874**	1 772 627	**970 000**	870 000
Total interest-bearing liabilities payable in the following annual financial years:					
30 June 2015		–	40 000	–	40 000
30 June 2016		**230 000**	556 300	**230 000**	230 000
30 June 2017		**600 000**	600 000	**600 000**	600 000
30 June 2018		**230 000**	230 250	**80 000**	–
30 June 2019		**215 497**	346 077	–	–
30 June 2020		**582 377**	–	**60 000**	–
		1 857 874	1 772 627	**970 000**	870 000

The Nedbank loans 1 – 3 of R552,6 million are secured in terms of a first mortgage bond over investment properties valued at R2,08 billion.

In terms of the JSE Limited Listings requirements for REITs, the Company's borrowings, excluding the debentures, are limited to 60% of the valuation of the Group's property portfolio. The current limit of the borrowing powers in terms of the aforementioned requirements, amounts to R3,1 billion (2014: R2,89 billion), of which R1,86 billion (2014: R1,77 billion) has been utilised.

Corporate Bonds (DMTN Programme)

The fund registered a DMTN Progamme of R2 billion in early 2013, with the intention to diversify a portion of its funding from generic bank debt to debt capital markets.

On 17 February 2014, the Fund auctioned R300 million secured notes at a variable rate of Jibar plus 2.00%, and R200 million secured notes at a fixed rate of 9.89%. The total funds of R500 million were raised in order to settle all the facilities with Absa Bank Limited.

On 23 April 2014, the Fund auctioned R100 million secured notes at a variable rate of JIBAR plus 2.00%. These funds were utilised for capital expenditure on the current investment property portfolio during the current year.

On 20 February 2015. the Fund auctioned R60 million and R80 million secured notes at a variable rate of JIBAR plus 2.80% and Jibar plus 2.25% respectively. R40 million of the R140 million raised, were used to settle the unsecured note HPF 02 of R40 million that expired in April 2015. The balance of R100 million will be utilised for future capital expenditure.

The Secured notes HPF 01, 04 – 08, together with Nedbank loans 4 – 8 are secured in terms of a mortgage bond over investment properties with a market value of R3,08 billion and a cession of leases and rentals in respect of the bonded properties.

The Nedbank and Secured note loans are subject to the following loan covenants:

Loan to value (LTV)

The LTV as at 30 June 2015, is required to be 40% (2014: 40%) or lower.

As at 30 June 2015, the Group LTV was 36% (2014: 37%), and the Hospitality Guarantee SPV (shared security between Nedbank and Secured notes) was 39% (2014: 35%).

Loan to value (LTV) including treasury transaction exposure

The LTV as at 30 June 2015, is required to be 45% (2014: 45%) or lower.

As at 30 June 2015, the Group LTV was 36% (2014: 37%), and the Hospitality Guarantee SPV (shared security between Nedbank and Secured notes) was 39% (2014: 35%).

15. INTEREST-BEARING LIABILITIES (continued)

Interest cover ratio (ICR)

The ICR requirement for the year ended 30 June 2015, is a minimum of 2.00 times.

For the year ended 30 June 2015 the Group ICR cover was 2.45 (2014: 2.64) times, and the Hospitality Guarantee SPV (shared security between Nedbank and the secured notes) was 2.47 (2014: 3.16) times.

Measurement of fair value

(i) Fair value hierarchy

The Group recognises and measures its long-term loans at amortised cost. The fair value of the loans was determined using both external and internal inputs.

The external inputs applied, related to the interest rates contracted with the various sources of funding linked to JIBAR, whereas the internal inputs applied, related to the weighted average cost of capital (WACC) 9.12% (2014: 9.14%) determined for the Group.

As both external and internal data was used to determine the fair value, the fair value measurement has been classified under Level 2.

Hierarchy levels

– Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
– Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
– Level 3: Inputs for assets or liabilities that are not based on observable market data.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
(ii) Level 2 fair value				
Non-current				
Nedbank Limited				
– Loan 1 – expiry: February 2020	**195 182**	175 657	–	–
– Loan 2 – expiry: October 2019	**382 591**	339 839	–	–
– Loan 3 – expiry: October 2018	**32 843**	29 834	–	–
– Loan 4 – expiry: February 2018	**158 546**	146 106	–	–
– Loan 5 – expiry: June 2016	–	148 923	–	–
– Loan 6 – expiry: February 2018	–	48 702	–	–
– Loan 7 – expiry: July 2018	**37 540**	–		
– Loan 8 – expiry: July 2018 (Revolving)	**161 234**	–		
Domestic Medium-term Note Programme				
– Secured note HPF01 – expiry: April 2016	–	148 632	**154 530**	148 632
– Unsecured note HPF03 – expiry: April 2016	–	80 579	**83 131**	80 579
– Secured note HPF04 – expiry: Feb 2017	**312 192**	293 485	**312 192**	293 485
– Secured note HPF04.1 – expiry: Feb 2017	**104 063**	97 828	**104 063**	97 828
– Secured note HPF05 – expiry: Feb 2017	**208 056**	192 438	**208 056**	192 438
– Secured note HPF06 – expiry: February 2020	**67 174**	–	**67 174**	–
– Secured note HPF07 – expiry: August 2017	**84 336**	–	**84 336**	–
Current				
Domestic Medium Term Note Programme				
– Secured note HPF01 – expiry: April 2016	**154 530**	–	**154 530**	–
– Unsecured note HPF03 – expiry: April 2016	**83 131**	–	**83 131**	–
– Unsecured note HPF02 – expiry: April 2015	–	40 396	–	40 396
Total fair value of loans	**1 981 418**	1 742 419	**1 251 143**	853 358

(iii) Valuation technique

Discounted Cash Flows (DCF): The valuation model considers the present value of the settlement of the current loan together with the future interest payments. The future cash flows are determined using the contracted rates with the various sources of funding for the interest payments, together with the expected settlement amounts of the loan. The expected cash flows are discounted using the Groups' WACC.

The weighted average cost of capital is determined as the finance cost divided by the average borrowings during the year.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Sensitivity analysis				
Cash flow sensitivity on profit or loss and equity				
– 0.50% change in interest rate	**9 289**	7 830	**4 850**	3 317
– 1.00% change in interest rate	**18 579**	15 659	**9 700**	6 633
– 1.50% change in interest rate	**27 868**	23 489	**14 550**	9 950

16. DEFERRED TAXATION LIABILITY

With effect from 2 July 2013, the Company and controlled property subsidiaries converted to Real Estate Investment Trusts (REIT). As a result, section 25BB of the Income Tax Act will apply to qualifying REIT income and expenses. The legislation provides that capital gains on sale of investment properties are disregarded and previous building allowances claimed will be recouped at 28%. All rental income and dividends from property subsidiaries will be taxed at 28% and any dividends paid from these taxable profits, will be deductible at 28%. Any amount in respect of a financial instrument will be taxed at 28%. As HPF has not currently decided to pay out capital profits as dividends, income tax could arise on recoupment when investment properties are sold. This income tax is shielded by an accumulated loss.

Deferred tax balances				
– Provisions	**648**	672	**–**	–
– Prepayments	**(4)**	(57)	**–**	–
– Fixed assets	**10**	(105)	**–**	–
– Recoupment of capital allowances	**(163 010)**	(161 104)	**–**	–
Deferred tax liability before assessed losses	**(162 356)**	(160 594)	**–**	–
– Assessed losses	**162 356**	160 594	**–**	–
Net deferred tax asset	**–**	–	**–**	–

A deferred tax asset has been recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The total assessed losses for the Group amounts to R736,8 million (2014: R734,3 million). Only R575,4 million (2014: R573,6 million) of the total assessed losses has been utilised to raise a deferred tax asset and the remainder of the assessed loss has not been recognised as it is not deemed probable that there will be future profits against which the assessed loss can be utilised.

Movement in deferred tax balances				
Temporary differences				
– Provisions	**(24)**	(626)	**–**	–
– Prepayments	**53**	(8)	**–**	–
– Fixed assets	**94**	67	**–**	–
– Under provision of prior year deferred tax	**(45)**	1 077	**–**	–
– Recoupment of capital allowances	**(1 907)**	31 292	**–**	–
– Assessed tax losses	**1 829**	(31 802)	**–**	–
	–	–	**–**	–
Assessed losses available				
– Recoupments of capital allowances	**(582 179)**	(575 370)	**–**	–
– Assesed tax losses	**736 817**	734 319	**–**	–
Unrecognised assessed losses	**154 638**	158 949	**–**	–

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
17. TRADE AND OTHER PAYABLES				
Trade payables	**78 385**	79 668	**17 877**	1 654
Tenant deposits	**4 948**	5 748	**–**	–
VAT payable	**2 019**	2 501	**–**	–
	85 352	87 917	**17 877**	1 654
Financial liabilities	**83 333**	85 416	**17 877**	1 654
Non-financial liabilities	**2 019**	2 501	**–**	–
18. OPERATING PROFIT INCLUDING EMPLOYEE EXPENSES				
Operating profit is stated after charging the following:				
Auditor's remuneration	**1 742**	1 172	**97**	145
– Audit fee	**1 224**	970	**97**	145
– Audit fee – prior year under accrual	**60**	50	**–**	–
– Non-audit related services	**458**	152	**–**	–
Bad debts	**–**	(1 508)	**–**	–
Debt raising fee amortisation	**5 111**	6 844	**2 581**	1 868
Debt cancellation fee	**250**	4 900	**–**	–
Defined contribution plan expense	**605**	478	**–**	–
Executive directors and employee remuneration (refer to note 27.4)	**12 827**	14 252	**–**	–
Management fee paid	**158**	152	**1 283**	1 239
Non-executive directors' remuneration (refer to note 27.4)	**2 916**	2 294	**2 934**	2 294
Property and other expenses were incurred to generate rental income.				
19. FINANCE COST/INCOME				
Finance income				
Interest income	**9 696**	4 371	**14**	16
Interest received from subsidiary and Trust	**–**	–	**78 211**	37 617
	9 696	4 371	**78 225**	37 633
Dividend income				
Dividend income from subsidiary	**–**	–	**248 075**	254 822
Finance costs				
Interest-bearing liabilities	**170 584**	150 412	**77 510**	37 195
Debenture discount amortisation – refer to note 14	**8 633**	7 480	**8 633**	7 480

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
20. TAXATION				
Current tax	116	181	16	–
	116	181	16	–
Reconciliation of taxation rate				
Current taxation rate	28,0%	28,0%	–	–
Fair valuation of investment property	(28,3%)	(38,0%)	–	–
Fair valuation of swaps	(1,2%)	(3,2%)	–	–
Impairment of goodwill	1,4%	13,2%	–	–
Temporary differences	0,2%	0,2%	–	–
Effective taxation rate	0,1%	0,2%	–	–

The Company has no liability for normal taxation as 99.99% of its profit is paid out as debenture interest and unitholders are consequently subject to tax according to the individual linked unitholder's tax status. However, current tax expense of R100 000 (2014: R134 000 payable by HPF Management Proprietary Limited is payable by the HPF Employee Incentive Trust.

	Group		Group	
	2015 Gross R'000	**2015 Net of tax R'000**	2014 Gross R'000	2014 Net of tax R'000
21. EARNINGS AND DISTRIBUTIONS PER LINKED UNIT				
Profit for the year	134 285	134 285	105 978	105 978
Adjustments: Debenture interest	232 815	232 815	240 014	240 014
Earnings (linked units)	367 100	367 100	345 992	345 992
Adjustments:				
Profit on disposal of investment properties	(390)	(390)	–	–
Fair value – investment properties revaluation	(143 734)	(143 734)	(153 772)	(153 772)
Fair value – straight-line rental income	(825)	(825)	(3 102)	(3 102)
Goodwill impairment	7 200	7 200	53 400	53 400
Headline earnings (linked units)	229 351	229 351	242 518	242 518
HPF Employee Incentive Trust effects	78	78	(285)	(285)
Fair value – interest rate swaps	(6 172)	(6 172)	(12 801)	(12 801)
Taxation on HPF Employee Incentive Trust	100	100	–	–
Straight-line rental income	825	825	3 102	3 102
Debenture discount amortisation	8 633	8 633	7 480	7 480
Distributable earnings	232 815	232 815	240 014	240 014

	Group 2015			Group 2014		
	A units	**B units**	**Total**	A units	B units	Total
21. EARNINGS AND DISTRIBUTIONS PER LINKED UNIT (continued)						
Group						
Number of units (note 12 and 14)	**144 285 503**	**142 315 793**	**286 601 296**	138 149 717	136 180 007	274 329 724
Weighted average number of units	**142 380 569**	**140 410 859**	**282 791 427**	137 369 080	136 225 029	273 594 109
	Cents	Cents	Cents	Cents	Cents	Cents
Distribution per linked unit (cents)	**148,21**	**13,15**	**161,36**	141,35	33,45	174,80
Earnings and diluted earnings per linked unit	**129,81**	**129,81**	**259,62**	126,46	126,46	252,92
Headline earnings and diluted headline earnings per linked unit	**81,10**	**81,10**	**162,20**	88,64	88,64	177,28
Earnings and diluted earnings per share	**47,49**	**47,49**	**94,98**	38,74	38,74	77,47
Headline earnings and diluted headline earnings per share	**(0,01)**	**(0,01)**	**(0,02)**	0,01	0,01	0,02

NOTES TO THE STATEMENTS OF CASH FLOWS	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
22. CASH GENERATED FROM OPERATIONS				
Profit before taxation	**142 831**	113 401	**529**	6 918
Adjusted for:				
Net finance costs	**160 888**	146 041	**(715)**	(438)
Recoupment of debenture interest	**–**	(531)	**–**	(531)
Net debenture interest	**232 815**	240 014	**232 815**	240 665
Depreciation	**593**	441	**–**	–
Straight-lining accrual of rental income	**825**	3 102	**–**	–
Goodwill impairment	**7 200**	53 400	**–**	–
Inter-company loan impairment	**–**	–	**6 331**	–
Profit on disposal of investment properties	**(390)**	–	**–**	–
Fair-value adjustments	**(150 731)**	(169 675)	**–**	–
Cash generated before working capital changes	**394 031**	386 193	**238 960**	246 614
Changes in working capital	**(15 513)**	4 939	**18 322**	(4 790)
(Increase)/decrease in trade and other receivables	**(12 948)**	(15 827)	**2 099**	(5 506)
(Decrease)/increase in trade and other payables	**(2 565)**	20 766	**16 223**	716
	378 518	391 132	**257 282**	241 824

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
23. DISTRIBUTION TO UNITHOLDERS				
Balance at beginning of year	**118 142**	105 735	**118 414**	105 735
Amount per statement of comprehensive income	**232 815**	239 483	**232 815**	240 134
Recoupment of distribution	**–**	531	**–**	531
Balance at end of year	**(113 852)**	(118 142)	**(113 852)**	(118 414)
	237 105	227 607	**237 377**	227 986
24. ACQUISITION, DISPOSALS AND DEVELOPMENT OF INVESTMENT PROPERTIES/NON-CURRENT ASSETS HELD FOR SALE				
Balance at beginning of year	**4 827 900**	4 569 900	**–**	–
Fair value adjustments	**143 734**	153 772	**–**	–
Disposals	**(79 610)**	–	**–**	–
Balance at end of year	**(5 136 228)**	(4 827 900)	**–**	–
	(244 204)	(104 228)	**–**	–
25. CAPITAL COMMITMENTS				
Authorised and committed	**99 993**	99 771	**–**	–
The capital expenditure on investment properties will be funded from unutilised funding facilities.				
26. MINIMUM LEASE RENTALS RECEIVABLE				
At 30 June the Group had contracts with tenants for the following minimum lease rentals for periods between 0 to 18 years. The rentals below relate only to fixed rentals and do not include any variable rentals or escalations based on CPI.				
Less than one year	**241 173**	224 997	**–**	–
Between one and five years	**802 924**	706 612	**–**	–
After five years	**1 508 395**	1 392 553	**–**	–
	2 552 492	2 324 162	**–**	–
Variable rentals earned in 2015 and 2014 respectively	**199 112**	165 349	**–**	–

Rental income is based on fixed-, fixed and variable – and variable lease agreements concluded with tenants.

27. RELATED PARTY TRANSACTIONS

27.1 Identity of related parties:	Relationship
– HPF Properties Proprietary Limited	100% subsidiary
– HPF Management Proprietary Limited	100% subsidiary
– Hospitality Property Fund Managers Proprietary Limited	100% subsidiary
– NIB 35 Proprietary Limited	100% subsidiary
– Hosbrook Ventures Proprietary Limited	100% subsidiary
– HPF Employee Incentive Trust	Key staff benefit structure
– Directors as listed	Directors
– Vexicure Proprietary Limited (Associate)	80% subsidiary of Pan-African Capital Holdings Proprietary Limited, of which Mr Z Kubukeli is a director. HPF Properties Proprietary Limited owns a 5% shareholding in the Company. Mr R Asmal, as well as Mr Z Kubukeli are directors of the Company. The Company leases the Westin Cape Town hotel from the Group. The Company is accounted for as an associate entity.
– Ash Brook Investments 72 Proprietary Limited (Associate)	HPF Properties Proprietary Limited owns 15% of the Company, and both Mr W McIntyre and Mr R Asmal are directors of the Company. The Company is accounted for as an associate entity.
– HPF Employee Incentive Trust	The HPF Employee Incentive Trust is a separate legal entity, which owns B-linked units in Hospitality Property Fund Limited. Mr DG Bowden, Mr GA Nelson and Mr R Asmal are trustees of the trust. The trust is considered a subsidiary for accounting purposes.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
27.2 Transactions				
Associates				
Vexicure Proprietary Limited				
Rental received by Group	**101 554**	87 731	**–**	–
Trade and other receivables	**–**	1 476	**–**	–
Trade and other payables	**12 653**	14 493	**–**	–
Tenant deposit and guarantee held as security on leases	**3 074**	3 074	**–**	–
Ash Brook Investments 72 Proprietary Limited				
Rental received by Group	**35 502**	43 588	**–**	–
Trade and other receivables	**16 141**	14 836	**–**	–
Trade and other payables	**–**	3 268	**–**	–
Tenant deposit and guarantee held as security on leases	**1 746**	1 746	**–**	–
Subsidiaries				
HPF Properties Proprietary Limited				
Interest received	**–**	–	**77 514**	37 146
Dividend received	**–**	–	**248 075**	254 822
HPF Management Proprietary Limited				
Management fees paid	**–**	–	**1 283**	1 239
HPF Employee Incentive Trust				
– Long-term loan receivable	**–**	–	**4 136**	10 568
– Interest received	**–**	–	**697**	471
– Debenture interest paid	**–**	–	**187**	651

All transactions were on an arm's length basis.

27.3 Mr AS Rogers

Identity of related parties:	Relationship
– Airvent Helderberg Proprietary Limited	The Company's previous CEO, Mr AS Rogers' brother is a significant shareholder.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Transactions				
– Airvent Helderberg Proprietary Limited	**1 459**	1 775	–	–

	Directors' fees R'000	**Ad-hoc fees* R'000**	**Total R'000**
27.4 Directors' remuneration			
Group and Company – 30 June 2015			
Non-executive			
DG Bowden	324	333	657
KH Abdul-Karrim	160	–	160
L de Beer	341	105	446
SA Halliday	330	18	348
ZN Kubukeli	304	–	304
GA Nelson	272	–	272
Z Ntwasa	280	–	280
WC Ross	273	–	273
A Soni	176	–	176
	2 460	456	2 916

**Fees in respect of the forensic disciplinary hearing against Mr AS Rogers. These fees will be tabled at the next annual general meeting.*

Executive: All directors' salaries and bonuses were borne by the Group.

	Directors' fees R'000	Salaries R'000	**Bonuses paid – F2015 R'000**	Leave paid out R'000	Total R'000
R Asmal	–	1 852	**294**	–	2 146
AS Rogers	–	2 510	–	296	2 806
	–	4 362	**294**	296	4 952

All the above directors' emoluments are short-term employee benefits and there are no other employee benefits to the directors.

Except for the executive directors, the Company currently has no prescribed officers.

A bonus accrual of R294 000 has been made for Mr R Asmal, payable in September 2015.

	Directors' fees R'000	Total R'000
27. RELATED PARTY TRANSACTIONS (continued)		
27.4 Directors' remuneration (continued)		
Group and Company – 30 June 2014		
Non-executive		
DG Bowden	250	250
KH Abdul-Karrim	278	278
L de Beer	250	250
SA Halliday	278	278
ZN Kubukeli	268	268
GA Nelson	238	238
Z Ntwasa	230	230
WC Ross	290	290
A Soni	212	212
	2 294	2 294

Executive: All directors salaries and bonuses were borne by the Group.

	Directors' fees R'000	Salaries R'000	Bonuses paid – F2014 R'000	Total R'000
R Asmal	–	1 731	742	2 473
AS Rogers	–	2 394	1 026	3 420
	–	4 125	1 768	5 893

All the above directors' emoluments are short-term employee benefits and there are no other employee benefits to the directors.

Except for the executive directors, the Company has no prescribed officers.

28. 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.

28.1 Interest rate risk

The Audit and Risk Committee continuously monitors the Groups' 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. 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.

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

	Nominal rate	Commence-ment date	Maturity	Nominal value R'000	**Fair value at 30 June 2015 R'000**	Fair value at 30 June 2014 R'000
Nedbank Limited – Swap 1.1	6.00 to 9.09%	Dec 13	Sep 16	150 000	**(83)**	335
Nedbank Limited – Swap 1.2	9.09%	Dec 13	Sep 16	–	**–**	1 490
Nedbank Limited – Swap 2	6.40%	Oct 13	Oct 16	150 000	**458**	(520)
Nedbank Limited – Swap 3	7.05%	Sep 14	Sep 17	100 000	**(180)**	–
Rand Merchant Bank – Swap 1	7.96%	Jun 14	Jul 16	346 667	**(5 114)**	(7 844)
Rand Merchant Bank – Swap 2	6.65% to 9.20%	Feb 14	Feb 16	250 000	**(695)**	(1 726)
Rand Merchant Bank – Swap 3	7.05%	Sep 14	Sep 17	100 000	**(176)**	–
Rand Merchant Bank – Swap 4	6.78%	Jul 16	Feb 18	346 667	**3 697**	–
					(2 093)	(8 265)

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

	2015 R'000	2014 R'000
Sensitivity analysis		
Fair value sensitivity		
– 0.50% change in interest rate	**7 438**	6 256
– 1.00% change in interest rate	**13 556**	12 312
– 1.50% change in interest rate	**20 192**	18 277
Cash flow sensitivity on profit or loss and equity		
– 0.50% change in interest rate	**7 217**	6 593
– 1.00% change in interest rate	**14 433**	3 297
– 1.50% change in interest rate	**21 650**	814
The sensitivity analysis is based on the contractual terms of the derivatives and the estimated movement in JIBAR rates.		

28.2 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. Re-financing risk may be reduced by re-borrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk.

The Company's current liabilities exceed the current assets. However, the Group will ensure that all short-term liabilities are settled as and when they arise.

The following are the contractual maturities of financial liabilities. No interest payments have been included as the amounts involved are dependent on future changes in interest rates. All financial liabilities, with the exception of derivative liabilities measured at fair value, are measured and carried at amortised cost.

Maturity values	Carrying amount R'000	0 to 12 months R'000	2 to 5 years R'000	More than 5 years R'000
28. FINANCIAL RISK MANAGEMENT AND FURTHER FINANCIAL INSTRUMENT DISCLOSURES (continued)				
28.2 Liquidity risk (continued)				
Group 30 June 2015				
Interest-bearing liabilities	1 857 874	230 000	1 627 874	–
Derivative liability	2 093	(695)	2 788	–
Trade and other payables	85 352	85 352	–	–
Debentures	2 415 842	–	–	2 415 842
Debenture interest payable	113 852	113 852	–	–
	4 475 013	428 509	1 630 662	2 415 842
Group 30 June 2014				
Interest-bearing liabilities	1 772 627	40 000	1 732 627	–
Derivative liability	8 265	–	8 265	–
Trade and other payables	85 416	85 416	–	–
Debentures	2 325 186	–	–	2 325 186
Debenture interest payable	118 142	118 142	–	–
	4 309 636	243 558	1 740 892	2 325 186
Company 30 June 2015				
Trade and other payables	17 877	17 877	–	–
Debentures	2 425 837	–	–	2 425 837
Interest-bearing liabilities	970 000	230 000	740 000	–
Debenture interest payable	113 852	113 852	–	–
	3 527 566	361 729	740 000	2 425 837
Company 30 June 2014				
Trade and other payables	1 654	1 654	–	–
Debentures	2 335 181	–	–	2 335 181
Interest-bearing liabilities	870 000	40 000	830 000	–
Debenture interest payable	118 414	118 414	–	–
	3 325 249	160 068	830 000	2 335 181

The following are the contractual finance costs of interest-bearing financial liabilities.

Finance costs	Total R'000	0 to 12 months R'000	R'000	More than 5 years R'000
Group 30 June 2015				
Interest-bearing liabilities	439 120	154 655	284 465	–
Derivative liability	15 128	9 283	5 845	–
	454 248	163 938	290 310	–
Group 30 June 2014				
Interest-bearing liabilities	446 840	160 320	286 520	–
Derivative liability	21 135	10 264	10 871	–
	467 975	170 584	297 391	–
Company 30 June 2015				
Interest-bearing liabilities	138 707	76 257	62 450	–
Derivative liability	–	–	–	–
	138 707	76 257	62 450	–
Company 30 June 2014				
Interest-bearing liabilities	177 828	77 510	100 318	–
Derivative liability	–	–	–	–
	177 828	77 510	100 318	–

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 to 60% of the directors' bona fide valuation of the consolidated property portfolio.

The Company's utilised borrowing capacity at 30 June can be summarised as follows:

	30 June 2015 R'000	30 June 2014 R'000
Property valuation	5 136 228	4 827 900
60% thereof	3 081 737	2 896 740
Effective borrowings	1 857 874	1 772 627
Unutilised borrowing capacity	1 223 863	1 124 113
Facilities available in terms of agreements at 30 June	1 943 550	1 893 550
Undrawn facilities	85 676	120 923
Gearing ratio	36,2%	36,7%

28. FINANCIAL RISK MANAGEMENT AND FURTHER FINANCIAL INSTRUMENT DISCLOSURES (continued)

28.3 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, where appropriate, as a means of mitigating the risk of financial loss from default. Financial performance of the tenants' business is monitored on an ongoing basis.

Concentration risk	Properties	Income %	Receivable R'000
– Tenant 1	8	18	–
– Tenant 2	6	16	467
– Tenant 3	1	23	–
– Tenant 4	1	9	346
– Tenant 5	1	13	2 799
– Balance	5	21	1 750
	22	100	5 362

In terms of the entity structure, there is a concentration risk in terms of the revenues earned and the resultant receivables. In total 79% of revenues earned for the current year was generated from 17 leased properties. 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.

28.3.1 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		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Trade and other receivables				
– Tenant and related receivables	**70 577**	57 449	**–**	–
	70 577	57 449	**–**	–
Tenant deposits	**4 948**	5 748	**–**	–
Bank guarantees	**18 890**	44 060	**–**	–

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.

	Group Gross carrying amount		Group Impairment	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
28.3.2 Impairment losses				
The ageing of tenant and related receivables at the reporting date was:				
Current (< 30 days)	**65 215**	57 226	–	–
Past due but not yet impaired (> 30 days)	**1 371**	110	–	–
Past due but not yet impaired (> 60 days)	**3 991**	113	–	–
Total	**70 577**	57 449	–	–

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 movement in the allowance for impairment in respect of tenant and related receivables was as follows:

	Group	
	2015 R'000	2014 R'000
Balance at the beginning of the year	–	4 770
Reversal of provisions and recoveries	–	(6 585)
Impairment loss recognised	–	1 815
Balance at the end of the year	–	–

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

28.4 Capital structure

The entity views its capital base as the sum of its shares and debentures as each share is linked to a debenture. The entity seeks to enhance unitholder 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 (this ratio excludes debentures) and the interest coverage ratio. Notwithstanding the fact that the entity's borrowings are limited by the JSE Limited Listings Requirements for REITs at 60% of assets, the current strategy is to maintain debt levels below 40%.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Share capital and share premium	**515 931**	481 316	**515 931**	481 316
Debentures	**2 415 842**	2 325 186	**2 425 837**	2 335 181
Total capital	**2 931 773**	2 806 502	**2 941 768**	2 816 497
Total interest-bearing liabilities	**1 857 874**	1 772 627	**970 000**	870 000

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

28. FINANCIAL RISK MANAGEMENT AND FURTHER FINANCIAL INSTRUMENT DISCLOSURES (continued)

28.5 Carrying amounts and fair values of financial instruments

The carrying amounts of the financial instruments reflected in the statement of financial position approximates the fair value. The total fair value of the derivative financial liabilities held by the Group is R2,1 million (2014: R8,3 million). The total carrying amounts of loans and receivables at amortised cost held by the Group is R71,0 million (2014: R58,1 million) and of those held by the Company is R4 025 million (2014: R3 793 million). The total carrying amounts of financial liabilities at amortised cost held by the Group is R4 475 million (2014: R4 312 million) and of those held by the Company is R3 527 million (2014: R3 325 million). 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.

Debentures

It is impractical to determine the fair value of the linked debentures. Linked debentures are therefore carried at amortised cost.

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.

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: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
30 June 2015				
Derivative financial liabilities	–	2 093	–	2 093
	–	2 093	–	2 093
30 June 2014				
Derivative financial liabilities	–	8 265	–	8 265
	–	8 265	–	8 265

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

29. SHARE-BASED PAYMENT ARRANGEMENTS

On 30 May 2013, a "Trust" named the HPF Employee Incentive Trust was established. It is imperative for the continued success of the Fund that its employees and those of its subsidiaries remain in their employment. Accordingly, the Fund implemented a long-term incentive scheme with the main purpose and intention of retaining these employees by providing them with an opportunity to share in the benefits of the equity of the Fund and the related distributions. The Trust is registered and considered a separate legal entity.

The Fund has three representatives on the Board of Trustees, who in turn receive no remuneration for their services.

The Trustees' responsibility and decision-making is dictated by the "Deed of Trust", which includes the allocation of the shares acquired in the Fund to specific staff members.

Under the accounting standard IFRS10: *Consolidations*, the Group has control over the Trust due to the design and purpose and should therefore consolidate the Trust as part of the consolidated financial statements.

Mechanics of the Trust

The Fund provides a loan to the Trust at the minimum official rate of interest under section 7 of the Income Tax Act, 58 of 1962. The proceeds of the loan were utilised to acquire a number of B-linked units in the Fund at the relevant market price on the JSE Limited. After acquisition of the B-linked units by the Trust, the Allocation Committee instructed the Trustees to create new Trust Units, such that the number of Trust Units were equal to the number of the B-linked units held by the Trust, and confirmed to the Trustees in writing the number of the Trust Units to be created that are available for allocation to qualifying employees in accordance with the terms of the Trust Deed. The Trust Units and accordingly the rights, were allocated to the qualifying employees in terms of this Trust Deed for no monetary consideration.

Key staff were identified and allocated a portion of the units acquired. In order to have qualified for the receipt of this benefit, the staff member had to be in the employment of the Fund for a set period when the benefit will be settled as agreed with the employees. The loan advanced by the Fund, bears interest at prime less 2.5% (which is the same rate as the minimum rate under section 7 of the Income Tax Act, 58 of 1962) on the loan amount outstanding. Distributions received by the Trust from the Fund are used to settle the interest that the loan bears, as well as the capital portion of the loan where possible. On settlement of the benefit to the staff, the B-linked units will be sold back to the market at the ruling market price, with any outstanding loan amounts and interest being settled first before receiving the balance of the cash amounts, if any.

The share-based payment "scheme" is considered a share appreciate rights (SARs) cash-settled scheme based on the appreciation of the B-linked unit.

Trustees	*Position in Fund*
Mr DG Bowden	*Chairman of the Board of Directors*
Mr R Asmal	*Financial Director and Acting Chief Executive Officer*
Mr GA Nelson	*Non-executive director*

Tranche 1

During the prior year, a loan of R10 million was advanced to the Trust by the Fund in order to facilitate the acquisition of 1 969 710 B-linked units at an average price of R5,07.

Terms

– Interest rate: Prime less 2.5% (reflective of the minimum interest rate allowed by the South African Revenue Services)

– *Loan amount:* R10 million

– *Vesting period:* Three years with settlement between 2016 to 2018 in three equal instalments

– *Grant date:* 29 November 2013

– *Grant date value:* R5,50 per B-linked unit

The SARs have been measured using the ruling market price at measurement date, which is considered the fair value.

	2015	2014
29. SHARE-BASED PAYMENT ARRANGEMENTS (continued)		
Value of the Share Appreciation Rights		
Fair value	**2,10**	5,20
Grant date value:	**5,50**	5,50
Total	**(3,40)**	(0,30)
Total B-linked units (all allocated):	**1 969 710**	1 969 710
Total liability recognised to staff:	**–**	–

As no appreciation between grant date and measurement date occurred, no expense and liability was recognised at 30 June 2015.

	Units	Value of SAR
Allocation of SARs at 30 June 2015		
– Mr R Asmal	**395 913**	**–**
– Other staff members	**1 026 217**	**–**
– Unallocated	**547 580**	**–**
	1 969 710	**–**

On 22 June 2015, Mr AS Rogers was dismissed as an employee of HPF Management Proprietary Limited. As a result, all Share Appreciation Rights to Mr AS Rogers was forfeited.

	Units	Value of SAR
Allocation of SAR's at 30 June 2014		
– Mr R Asmal	395 913	–
– Mr AS Rogers	547 580	–
– Other staff members	1 026 217	–
	1 969 710	**–**

	2015	2014
Loan receivable by Company		
– Carrying value of the loan to the Trust	**4 136**	10 568
– Fair value of the loan to the Trust	**4 136**	8 714

The fair value of the loan was determined based on the discounted cash flow method, taking into account the carrying value of the loan as stated above, future interest cash flows and the Groups' weighted average cost of capital as the discount factor.

30. GOING CONCERN

The directors have made an assessment of the Group's and Company's ability to continue as going concerns and there is no reason to believe that the businesses will not be going concerns during the year ahead.

31. SUBSEQUENT EVENTS

The Protea Hotel The Richards was sold on 19 August 2015 for a total consideration of R46 million.

On 21 August 2015, the Fund received the requisite majority vote from linked unitholders for its REIT capital restructure, whereby the Fund converts its linked unit structure into a share only structure. The restructure will be completed by 30 September 2015, in-line with the extension granted to the Fund by the JSE Limited.

The directors are not aware of any matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the Group and Company financial statements that would significantly affect the operations, the results and the financial position of the Group and Company.

32. REPORTABLE IRREGULARITY

On 22 June 2015, Mr AS Rogers resigned as a director from the Board of Hospitality Property Fund Limited and all Group related entities, and was dismissed as an employee of HPF Management.

Mr AS Rogers' dismissal related to a forensic investigation and subsequent disciplinary hearing where various charges of misconduct were brought against Mr Rogers by the Company. The independent chairman who presided over the hearing found that Mr Rogers had breached his fiduciary duty of good faith to the Company, failed to disclose related party interests in contracts, and was involved in procurement irregularities. This led to the irretrievable breakdown in trust between the Company and Mr Rogers, who was subsequently dismissed on the recommendation of the independent chairman presiding over the hearing.

In terms of section 45 of the Auditing Profession Act, 2005 (the APA), a registered auditor of an entity that is satisfied or has reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity must, without delay, send a written report to the Independent Regulatory Board for Auditors (IRBA).

In terms of the APA, a reportable irregularity is defined as any unlawful act or omission committed by any person responsible for the management of an entity, which:

a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her dealings with that entity; or

b) is fraudulant or amounts to theft; or

c) represents a material breach of any fiduciery duty owed by such a person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

Based on the above definition and the findings of Mr Rogers' misconduct, the Company's auditors reported a Reportable Irregularity to IRBA.

The Board responded to the reportable irregularity reported, to indicate that action had been taken to rectify the matter. The external auditor submitted this response to the IRBA, which confirmed receipt thereof as well as the external auditor's conclusion that the irregularity was no longer taking place. The matter has thus been dealt with to the satisfaction of all parties and is now closed.

33. OPERATING SEGMENTS

The Group has four reportable segments, as described below. These segments offer different types of lease agreements and are managed separately to enable the Fund to adequately monitor the various risk profiles. For each of these products, the Group's CEO reviews internal management reports on a monthly basis. The following summary describes each of the Group's reportable segments:

- Core portfolio – properties that are core to the Group and part of the Fund's long-term strategy
- Non-core portfolio – properties that are not core to the Group and therefore not part of the Fund's long-term strategy
- Head office – although the head office does not generate revenue directly, the CEO reviews and manages head office as a separate business segment

Other operations include the Funds' administative and finance costs. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2015 or 2014.

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. Inter-segment pricing is determined on an arm's length basis.

R'000	Core portfolio	Non-core porfolio	Head office	Total consolidated position
33. OPERATING SEGMENTS (continued)				
Statement of Comprehensive Income – 30 June 2015				
Segment revenue	395 788	38 213	111	434 112
Expenditure	–	–	(40 674)	(40 674)
Segment profit/(loss)	395 788	38 213	(40 563)	393 438
Statement of Comprehensive Income – 30 June 2014				
Segment revenue	405 322	20 941	13	426 276
Expenditure	–	–	(40 524)	(40 524)
Segment profit/(loss)	405 322	20 941	(40 511)	385 752
Statement of Financial Position – 30 June 2015				
Non-current assets				
Investment properties	4 807 000	–	–	4 807 000
Current assets				
Non-current assets held for sale	–	329 228	–	329 228
Trade receivables	20 287	5 981	44 767	71 035
Segment assets	4 827 287	335 209	44 767	5 207 263
Statement of Financial Position – 30 June 2014				
Non-current assets				
Investment properties	4 516 000	–	–	4 516 000
Current assets				
Non-current assets held for sale	–	311 900	–	311 900
Trade and other receivables	19 170	4 119	34 798	58 087
Segment assets	4 535 170	316 019	34 798	4 885 987

The operating segments changed during the 2015 financial year with the CEO managing and reviewing the Group on a core, non-core and head office basis. Previously, the segments were reported on a lease type basis. The segments of the 2014 financial year have therefore been restated, however, the total numbers remain the same.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2015 R'000	2014 R'000
Revenues		
Total revenue for reportable segments		
Other revenue	434 112	426 276
Straight-line of leases	(825)	(3 102)
Consolidated revenue	433 287	423 174
Profit or loss		
Total profit or loss for reportable segments	393 438	385 752
Other profit or loss		
Net finance costs	(160 888)	(146 041)
Debenture interest	(232 815)	(240 014)
Recoupment of debenture interest	–	531
Profit on disposal of investment properties	390	–
Fair value adjustments	142 706	113 173
Profit before taxation	142 831	113 401
Assets		
Total assets for reportable segments	5 207 263	4 885 987
Other unallocated amounts	238 597	228 131
Consolidated total assets	5 445 860	5 114 118
Liabilities		
Other unallocated amounts	4 475 113	4 311 740
Consolidated total liabilities	4 475 113	4 311 740

Geographical segments

None of the operating segments identified operate outside the borders of South Africa and therefore all revenues from external customers are attributable to the Group's country of domicile and all non-current assets are located in the Group's country of domicile, i.e. South Africa.

Major customer

Revenues from one customer of the Group represent approximately R101,6 million (2014: R87,7 million) of the Group's total revenues.

34. PROPERTY PORTFOLIO INFORMATION

	Gross rental income	*Number of rooms
34.1 Property segment		
Core properties	91%	78%
Non-core properties	9%	22%
	100%	100%

*Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel

34.2 Geographic profile		
Gauteng	40%	46%
KwaZulu-Natal	15%	17%
Western Cape	40%	28%
Eastern Cape	4%	5%
Mpumalanga	1%	4%
	100%	100%

*Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel

34.3 Vacancy

The Group had no vacant space at year-end.

34.4 Tenant profile		
Hotels with management companies that have national representation	79%	80%
Independent hotel management companies	21%	20%
	100%	100%

*Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel

34.5 Lease expiry profile		
One year	1%	2%
Two to five years	34%	46%
After five years	65%	52%
	100%	100%

*Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel

34.6 By lease type		
Fixed leases	9%	6%
Fixed and variable leases	91%	94%
	100%	100%

*Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel

	Gross rental income	Number of rooms
34.7 Property grading		
Luxury	44%	29%
Midscale	34%	32%
Economy	22%	39%
	100%	100%

**Indicates number of rooms at 30 June 2015 and does not account for pro rata ownership where HPF owns less than 100% of a specific hotel*

34.8 Average property yield

2015*	**9,0%**
2014**	9,3%

**The 2015 average property yield is determined as follows: F2015 year rental income/Investment properties 2014 value*

***The 2014 average property yield is determined as follows: F2014 rental income/Investment properties 2013 value*

SHAREHOLDERS' ANALYSIS

Analysis of A-Linked Unitholders as at 30 June 2015

SHAREHOLDER SPREAD

Company: Hospitality Property Fund Ltd – A Linked Units

Register date: 26 June 2015

Issued share capital: 144,285,503

	No of Unitholdings	%	No of Units	%
1 – 1 000 units	106	16.43	36 953	0.03
1 001 – 10 000 units	177	27.44	748 402	0.52
10 001 – 100 000 units	205	31.78	7 924 084	5.49
100 001 – 1 000 000 units	126	19.53	40 790 487	28.27
1 000 001 units and over	31	4.81	94 785 577	65.69
Totals	**645**	**100.00**	**144 285 503**	**100.00**
Distribution of Unitholders				
Banks	9	1.40	374 307	0.26
Close corporations	10	1.55	216 778	0.15
Endowment funds	14	2.17	1 542 715	1.07
Individuals	216	33.49	1 307 100	0.91
Insurance companies	26	4.03	9 474 118	6.57
Investment companies	2	0.31	262 206	0.18
Medical schemes	14	2.17	1 999 129	1.39
Mutual funds	120	18.60	92 033 041	63.79
Other corporations	1	0.16	2 523 165	1.75
Private companies	33	5.12	2 723 342	1.89
Public companies	1	0.16	4 602	0.00
Retirement funds	152	23.57	30 989 177	21.48
Trusts	47	7.29	835 823	0.58
Totals	**645**	**100.00**	**144 285 503**	**100.00**
Public/non-Public Unitholders				
Non-Public Unitholders	4	0.62	291 986	0.20
Directors and associates of company holdings	4	0.62	291 986	0.20
Public Unitholders	641	99.38	143 993 517	99.80
Totals	**645**	**100.00**	**144 285 503**	**100.00**
Beneficial Unitholders holding 5% or more				
Coronation Fund Managers			31 284 497	21.68
Sanlam			15 521 207	10.76
Investment Solutions			7 282 673	5.05
Totals			**54 088 377**	**37.49**

SHAREHOLDERS' ANALYSIS

Analysis of B-Linked Unitholders as at 30 June 2015

SHAREHOLDER SPREAD

Company: Hospitality Property Fund Ltd – B Linked Units

Register date: 26 June 2015

Issued share capital: 144,285,503

	No of unitholdings	%	No of units	%
1 – 1 000 units	84	11.72	37 879	0.03
1 001 – 10 000 units	229	31.94	1 231 563	0.85
10 001 – 100 000 units	264	36.82	8 829 623	6.12
100 001 – 1 000 000 units	108	15.06	43 243 869	29.97
1 000 001 units and over	32	4.46	90 942 569	63.03
Totals	**717**	**100.00**	**144 285 503**	**100.00**
Distribution of Unitholders				
Banks	4	0.56	773 504	0.54
Close corporations	20	2.79	1 431 993	0.99
Empowerment	1	0.14	1 261 583	0.87
Endowment funds	8	1.12	1 151 989	0.80
Individuals	384	53.56	7 592 438	5.26
Insurance companies	4	0.56	947 559	0.66
Investment companies	2	0.28	268 675	0.19
Medical schemes	2	0.28	505 944	0.35
Mutual funds	49	6.83	51 234 631	35.51
Other corporations	4	0.56	140 000	0.10
Private companies	54	7.53	20 192 797	14.00
Public companies	1	0.14	7 100	0.00
Retirement funds	111	15.48	53 765 415	37.26
Trusts	73	10.18	5 011 875	3.47
Totals	**717**	**100.00**	**144 285 503**	**100.00**
Public/non-Public Unitholders				
Non-Public Unitholders	4	0.56	1 362 359	0.94
Directors and associates of company holdings	4	0.56	1 362 359	0.94
Public Unitholders	713	99.44	142 923 144	99.06
Totals	**717**	**100.00**	**144 285 503**	**100.00**
Beneficial Unitholders holding 5% or more				
Telkom Retirement Funds			21 000 000	14.55
Nedbank Group			11 181 142	7.75
Investec			10 817 038	7.50
Transnet Pension Fund			5 302 784	3.68
Government Employees Pension Fund			4 394 975	3.05
ClucasGray Investment Management			4 379 458	3.04
Totals			**57 075 397**	**39.56**

SHAREHOLDERS' DIARY

Event	Day in 2016
Financial year-end	30 June
Annual general meeting	17 November
Announcement of Interim results	24 February*
Announcement of Annual results	24 August*
Integrated report posted to unitholders	30 September*

DISTRIBUTION TIMETABLE	Day in 2016
*Distribution No. 20 for the 6 months ending 31 December 2015**	
Declaration Date	24 February
Last date to trade ***cum*** distribution	11 March
Linked Units will trade ***ex*** distribution	14 March
Record date	18 March
Payment date of interest distribution	21 March
*Distribution No. 21 for the year ending 30 June 2016**	
Declaration Date	24 August
Last date to trade ***cum*** distribution	9 September
Linked Units will trade ***ex*** distribution	12 September
Record date	16 September
Payment date of interest distribution	19 September

** Expected dates*

DISTRIBUTION POLICY

1. DISTRIBUTION FOR THE A DEBENTURES

Each first A debenture shall confer on the holder thereof the right to receive interest in respect of the first distribution period and the second distribution period, as follows:

1.1 for the second distribution period ended 30 June 2006, a semi-annualised return of 5,15% on the nominal value of the A debentures;

1.2 for the first distribution period ended 31 December 2006, a return of 5,28% on the nominal value of the A debentures;

1.3 for the second distribution period ended 30 June 2007, a return equal to the distribution for the second distribution period for the year ended 30 June 2006, escalated by 5%;

1.4 or the first distribution periods for the financial years ended/ending June 2008 to 2012, a return equal to the determined or calculated distribution for the corresponding first distribution period for the prior year, escalated by 5%;

1.5 for the second distribution periods for the financial years ended June 2008 to 2011, a return equal to the determined or calculated second distribution for the corresponding second distribution period for the prior year, escalated by 5%; and

1.6 for the first distribution periods and second distribution periods thereafter, to repayment of the A debentures, a return equal to the determined or calculated distribution for the corresponding distribution period for the prior year, escalated by the lesser of 5% or the most recently available CPIX figure.

[Clause 5.1 of the first supplemental debenture trust deed.]

The payment of interest is not guaranteed by the Company and any amounts not paid shall not accrue or be cumulative.
[Clause 5.3 of the first supplemental debenture trust deed.]

In determining the interest distribution with reference to a prior period's distribution, the prior period's distribution shall be the determined or calculated distribution for the equivalent period in the prior year, whether or not such amount was paid having regard to the availability of funds.

2. DISTRIBUTION FOR THE B DEBENTURES

Each first B debenture shall confer on the holder thereof the right to receive interest in respect of the first and second distribution periods, a return amounting to the balance, if any, of the interest distribution after deducting the distribution to the A debentures.
[Clause 6.1 of the first supplemental debenture trust deed.]

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

HOSPITALITY PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2005/014211/06)
Share code for A shares: HPA
ISIN for A shares: ZAE000203022
Share code for B shares: HPB
ISIN for B shares: ZAE000203030
("Hospitality" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given to shareholders of the Company that the annual general meeting ("AGM" or "the meeting") of shareholders of Hospitality will be held at The Zone 2, Loft Offices East, 2nd Floor, Corner Oxford Road and Tyrwhitt Avenue, Rosebank on Monday, 23 November 2015 at 10:00 to (i) deal with such business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit to pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended ("the Companies Act"), as read with the Listings Requirements of the JSE Limited ("the JSE Listings Requirements").

Section 63(1) of the Companies Act: Identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. Forms of identification that will be accepted include original and valid identity documents, drivers' licenses and passports.

Record dates

In terms of sections 59(1)(a) and (b) of the Companies Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's securities register as a shareholder in order to receive notice of the annual general meeting) as Friday, 9 October 2015; and
- participate in and vote at the AGM (being the date on which the shareholder must be registered in the Company's securities register as a shareholder in order to participate in and vote at the AGM) as Friday, 13 November 2015. Therefore the last day to trade in the Company's shares on the JSE Limited (JSE) to be recorded in the share register on the voting record date is Friday, 6 November 2015.

1. Presentation of Annual Financial Statements

The audited annual financial statements of the Company, together with the report of the directors, the independent auditors and the Audit and Risk Committee for the year ended 30 June 2015, have been distributed as required and will be presented to shareholders at the AGM.

The complete annual financial statements, together with the report of the directors, the independent auditors and the Audit and Risk Committee are set out on pages 75 to 131 of the integrated annual report ("IAR").

The IAR was posted to Shareholders on 19 October 2015 and may be downloaded from http://www.hpf.co.za/downloads/hpfjune15. Alternatively a copy may be obtained from the Company's registered address or by contacting the Company Secretary on rosao@hpf.co.za or +27 11 994 6320.

2. Ordinary Resolution Number 1: Re-election of Mr D G Bowden as a Director

"Resolved that Mr D G Bowden, who retires by rotation in terms of the Memorandum of Incorporation of the Company and who is eligible and available for re-election is re-elected as a director of the Company."

3. Ordinary Resolution Number 2: Re-election of Mrs L de Beer as a Director

"Resolved that Mrs L de Beer, who retires by rotation in terms of the Memorandum of Incorporation of the Company and who is eligible and available for re-election is re-elected as a director of the Company."

4. Ordinary Resolution Number 3: Re-election of Mr V Joyner as a Director

"Resolved that Mr V Joyner, who retires by rotation in terms of the Memorandum of Incorporation of the Company and who is eligible and available for re-election is re-elected as a director of the Company."

5. **Ordinary Resolution Number 4: Re-election of Mr W C Ross as a Director**

"Resolved that Mr W C Ross, who retires by rotation in terms of the Memorandum of Incorporation of the Company and who is eligible and available for re-election is re-elected as a director of the Company."

Abridged curriculum vitae of each of the above directors appears on pages 30 to 31 of the integrated report of which this notice forms part.

Reason for Ordinary Resolutions Numbers 1 to 4: Election of directors at the AGM

In accordance with the Company's Memorandum of Incorporation, one-third of the Company's directors are required to retire at each AGM and may offer themselves for re-election. Mr Bowden, Mrs de Beer and Messrs Joyner and Ross retire at the AGM and being eligible and available offer themselves for re-election.

The Board (assisted by the nomination committee) has reviewed its composition against corporate governance requirements and has recommended the election of the directors listed above. It is the view of the Board that the election of the candidates referred to above would enable the Company to:

- responsibly maintain a mixture of business skills and experience relevant to the Company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the Board.

6. **Ordinary Resolution Number 5: Reappointment of the external auditor**

"Resolved that KPMG Inc. is reappointed as independent external auditor of the Company (to report on the financial year ending 30 June 2016) until the conclusion of the next AGM of the Company."

Reason for Ordinary Resolution Number 5: Reappointment of external auditor

KPMG Inc. ("KPMG") has indicated its willingness to continue in office and ordinary resolution number 5 proposes KPMG's reappointment as the Company's independent external auditor until the conclusion of the next AGM of the Company to be held in 2016.

In terms of section 90(1) of the Companies Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. Hospitality's Audit and Risk Committee has considered KPMG's independence in accordance with the Companies Act and is satisfied that KPMG is independent as contemplated by the Companies Act and the applicable rules of the International Federation of Accountants (IFAC). The Audit and Risk Committee has therefore recommended KPMG for reappointment as the registered external auditor of the Company until the next AGM, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

Furthermore, the Hospitality Audit and Risk Committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that KPMG, the reporting accountant and individual auditor are accredited to appear on the JSE List of Accredited Auditors in compliance with section 22 of the JSE Listings Requirements.

7. **Ordinary Resolution Number 6: Election of Mrs L de Beer as a Member of the Audit and Risk Committee**

"Resolved that Mrs L de Beer, being an independent, non-executive director of the Company, be elected as a member of the Audit and Risk Committee of the Company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act) until the date of the next AGM to be held in 2016, subject to her re-election as a director in terms of ordinary resolution number 2."

8. **Ordinary Resolution Number 7: Election of Mr S A Halliday as a Member of the Audit and Risk Committee**

"Resolved that Mr S A Halliday, being an independent, non-executive director of the Company, be elected as a member of the Audit and Risk Committee of the Company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act) until the date of the next AGM to be held in 2016."

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
(CONTINUED)

9. Ordinary Resolution Number 8: Election of Ms Z Ntwasa as a Member of the Audit and Risk Committee

"Resolved that Ms Z Ntwasa, being an independent, non-executive director of the Company, be elected as a member of the Audit and Risk Committee of the Company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act) until the date of the next AGM to be held in 2016."

Reason for Ordinary Resolutions Numbers 6 to 8: Election of Audit and Risk Committee members

In terms of the Companies Act and the King Report on Governance for South Africa ("King III") the Audit and Risk Committee is a committee of the Board elected by the shareholders at each AGM. In terms of the regulations to the Companies Act, at least one-third of the members of a Company's Audit and Risk Committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Hospitality's Board, having satisfied itself, among others, of the independence, qualifications, experience and expertise of the independent non-executive directors offering themselves for election as members of the Hospitality Audit and Risk Committee, recommends their re-election to shareholders.

10. Ordinary Resolution Number 9: General authority to directors to allot and issue authorised but unissued securities

"Resolved that, to the extent required by and subject to the Memorandum of Incorporation of the Company, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the directors are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue the authorised but unissued shares in the Company to such person(s) and upon such terms and conditions as the directors may determine, on the following bases:

1. the directors may allot and issue the authorised but unissued shares in the Company as consideration for the acquisition by the Company or any of its subsidiaries of immovable property or for shares in and/or loan accounts against companies owning immovable property for the purpose of acquiring such property;

2. the directors are not authorised to issue more "A" shares and "B" shares in aggregate in any one financial year than such number of "A" shares and "B" shares that constitute 10% of the number of "A" shares and "B" shares in the Company's issued share capital as at the date of the passing of this resolution (the determination of which shall exclude any specific issue of shares approved by shareholders in their capacity as shareholders).

3. the maximum discount at which A shares or B shares, as the case may be, may be issued in terms of this authority is 5% of the weighted average trade price on the JSE of the relevant shares measured over 30 business days prior to the date that the placing is authorised by the directors of the Company; or 5% of the weighted average traded price on the JSE of the relevant shares measured over 3 days prior to the date of placing.

4. this authority shall only be valid until the next AGM of the Company but shall not endure beyond a period of 15 months from the date of this meeting."

Reason for Ordinary Resolution Number 9: General authority to directors to allot and issue authorised but unissued securities

In terms of the Company's Memorandum of Incorporation, read with the JSE Listings Requirements, the shareholders may authorise the directors to allot and issue authorised but unissued shares as the directors in their discretion think fit.

The aggregate number of "A" shares and "B" shares able to be allotted and issued in each class are limited as set out in the above resolution. The directors consider it advantageous to approve these authorities to enable the Company to take advantage of any business opportunities that may arise in future. Being able to act promptly on such opportunities through the issue of shares as whole or part consideration puts the Company in an advantageous position regarding negotiations.

11. Ordinary Resolution Number 10: Signature of documentation

"Resolved that any director of the Company or the Company Secretary be and is hereby authorised on behalf of the Company to sign any documents and do all such things as may be necessary in order to give effect to those ordinary and special resolutions that are approved at the AGM of the Company."

12. Advisory endorsement of the remuneration policy

To endorse, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board and statutory committees for their service as directors and members of committees) as set out in the remuneration report on page 61 of the IAR.

Reason for endorsement of remuneration policy

In terms of King III recommendations, the Company's remuneration policy should be tabled annually for a non-binding advisory vote at the AGM. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation.

Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III.

13. Special Resolution Number 1: Non-executive directors' remuneration for the period 1 July 2015 to 30 June 2016

"Resolved that, in terms of the Company's Memorandum of Incorporation and sections 66(8) and 66(9) of the Companies Act, the payment of the remuneration of the non-executive directors of the Company, for their services as directors, as recommended by the remuneration committee and approved by the Board for consideration by shareholders for the period 1 July 2015 to 30 June 2016 be and is hereby approved, as follows:

	Chairman Rand	Member Rand
Board (per annum)	318 000	212 000
Audit and Risk Committee (per annum)	137 800	84 800
Investment committee (per meeting)	12 720	10 600
Nomination committee (per meeting)	6 890	5 830
Remuneration committee (per meeting)	6 890	5 830
Social and ethics committee (per annum)	45 550	36 040

The above fees represent a 6% inflationary increase to prior year.

Reason for Special Resolution Number 1: Non-executive directors' remuneration for the period 1 July 2015 to 30 June 2016

The reason and effect of special resolution number 1 is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the period 1 July 2015 to 30 June 2016 in accordance with sections 66(8) and 66(9) of the Companies Act.

14. Special Resolution Number 2: Non-executive directors' remuneration for the period 1 July 2016 to 30 June 2017

"Resolved that, in terms of the Company's Memorandum of Incorporation and sections 66(8) and 66(9) of the Companies Act, the payment of the remuneration of the non-executive directors of the Company, for their services as directors, for the period 1 July 2016 to 30 June 2017, unless amended by a special resolution of shareholders, be equal to the non-executive directors' remuneration as approved in special resolution number 1, escalated as approved by the Board of Hospitality, up to a maximum of 8%."

Reason for Special Resolution Number 2: Non-executive directors' remuneration for the period 1 July 2016 to 30 June 2017

The reason and effect of special resolution number 1 is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the period 1 July 2016 to 30 June 2017 in accordance with sections 66(8) and 66(9) of the Companies Act.

15. Special Resolution Number 3: Setting of an hourly ad-hoc fee for non-executive directors

"Resolved that, in terms of the Company's Memorandum of Incorporation and sections 66(8) and 66(9) of the Companies Act, an hourly ad-hoc fee of R1 750 is approved payable to any non-executive director, who may be requested by the Board to perform any special assignment or additional work, to which a director will dedicate time and effort, substantially in excess of what he/she would ordinarily dedicate to the Company in order to executive his/her duties as a member of the Board or a Committee. Such ad-hoc fee, to be calculated on actual hours spent on any special assignment or additional work, less 20 hours per director, per annum, which is deemed to be a reasonable time spent on unanticipated matters arising."

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
(CONTINUED)

Reason for Special Resolution Number 3: Setting of an hourly ad-hoc fee for non-executive directors

The reason and effect of special resolution number 2 is to obtain shareholder approval for setting and payment of an hourly ad-hoc fee to remunerate any non-executive director for his/her time and effort spent on any special assignment or additional work, as requested by the Board, in excess of what he/she would ordinarily dedicate to the Company in order to execute his/her duties as a member of the Board or a Committee. Principle 153 of the King III report supports the setting of an ad-hoc fee for non-executive directors.

The ad-hoc fee will be calculated per director, on actual hours spent, less 20 hours per annum, which is deemed to be a reasonable time spent by any one director, on unanticipated matters arising.

16. Special Resolution Number 4: Ad-hoc fee payable to non-executive directors

"Resolved that, in terms of the Company's Memorandum of Incorporation and sections 66(8) and 66(9) of the Companies Act, the following ad-hoc fee be payable to certain non-executive directors as follows:

Director	Hours Spent	Less: 20 hrs as reasonable time spent on unanticipated matters	Hourly Rate	Total
D G Bowden	210	190	R1 750	R332 500
L de Beer	80	60	R1 750	R105 000
S A Halliday	30	10	R1 750	R17 500
Total				**R455 000**

Reason for Special Resolution Number 4: Ad-hoc fee payable to non-executive directors

The payment of ad-hoc fees for three non-executive directors amounting to R455 000 is recommended by the Board to shareholders for approval at the AGM. The payment of these fees relate to the time spent by the non-executive directors in preparing, attending and representing the Company at the disciplinary hearing of the previous CEO of the Company. These directors also met with legal representatives, forensic investigators and shareholders and managed the process by communicating with staff and where appropriate, the media.

17. Special Resolution Number 5: Financial assistance to subsidiaries and other related and inter-related entities in terms of sections 44 and 45 of the Companies Act

"Resolved that, to the extent required by the Companies Act, the Board of directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or entity that is or becomes related or inter-related to the Company for any purpose or in connection with any matter including, but not limited to, the subscription of any option or any securities issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any securities of the Company or a related or inter-related Company or entity, including any direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act, on such terms and conditions as the Board may determine, such authority to endure until the next AGM of the Company to be held in 2016."

18. Special Resolution Number 6: Financial assistance to directors, prescribed officers and other persons participating in employee incentive schemes in terms of sections 44 and 45 of the Companies Act

"Resolved that, to the extent required by the Companies Act, the Board of directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of the present or future directors or prescribed officers of the Company or of a related or inter-related Company or entity (or any person related to any of them or to any Company or entity related or inter-related to any of them), or to any other person who is or may be a participant in any employee incentive scheme operated within the Hospitality Group, or to any trust or other entity established by the Company to facilitate an incentive scheme for qualifying employees of the Hospitality Group, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any securities of the Company or a related or inter-related Company or entity, where such financial assistance is provided in terms of any

such scheme that does not constitute an 'employee incentive scheme' as defined in the Companies Act and that satisfies the requirements of section 97 of the Companies Act, on such terms and conditions as the Board may determine, such authority to endure until the next AGM of the Company to be held in 2016."

Reasons for special resolutions numbers 5 and 6: Authority to provide financial assistance to subsidiaries and other related and inter-related entities and to directors, prescribed officers and other persons participating in employee incentive schemes

Hospitality would like the ability to provide financial assistance to related or inter-related persons and entities, such as its subsidiaries, if necessary, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirable for Hospitality to provide financial assistance to related or inter-related companies and entities to subscribe for options or securities or purchase securities of Hospitality or another Company related or inter-related to it. Under sections 44 and 45 of the Companies Act, Hospitality will, however, require a special resolution to be adopted before such financial assistance may be provided. In the circumstances and in order to, amongst others, ensure that Hospitality's related and inter-related companies and entities have access to financing and/or financial backing from Hospitality (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolutions numbers 5 and 6.

19. Special Resolution Number 7: General authority to acquire securities

"Resolved that the Company and/or a subsidiary of the Company is authorised by way of a general authority to repurchase or purchase, as the case may be, securities issued by the Company, from any person, upon such terms and conditions and in such number as the directors of the Company or the subsidiary may from time to time determine, subject to the applicable requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, and subject further to the restriction that the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of securities in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the securities in issue in such class as at the commencement of such financial year, on the following bases:

(a) each repurchase of securities must be effected through the main order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

(b) the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of securities in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the securities in issue in such class as at the commencement of such financial year;

(c) repurchases of securities may not be made at a price greater than 10% above the volume weighted average of the respective market values of the "A" shares and the "B" shares for the five business days immediately preceding the date on which the repurchase is effected (the maximum price). The JSE will be consulted for a ruling if the Company's securities have not traded in such a five-business day period;

(d) repurchases of securities by the Company or its subsidiaries may not take place during a prohibited period as defined in the JSE Listings Requirements, unless the Company has in place a repurchase programme where the dates and quantities of securities to be traded are fixed (not subject to any variation) and full details of the programme have been disclosed in writingto the JSE Limited prior to the commencement of the prohibited period;

(e) the Company shall release an announcement on SENS and in the press, as soon as it or its subsidiary has, on a cumulative basis purchased or repurchased securities of the relevant class, which constitute 3% of the initial number of securities of such class in issue (at the time that this authority from shareholders for the repurchase was granted), and for each 3% in aggregate of the initial number of such class of securities purchased or repurchased, as the case may be, thereafter;

(f) this general authority shall be valid only until the next AGM of the Company to be held in 2016, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;

(g) at any point in time, the Company may only appoint one agent to effect any repurchases on the Company's behalf;

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
(CONTINUED)

(h) the number of securities purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued securities in the Company at the relevant times;

(i) no voting rights attached to the securities acquired by the Company's subsidiaries may be exercised while the securities are held by them and they remain subsidiaries of the Company;

(j) a resolution has been passed by the Board of the Company confirming that it has authorised the general repurchase, that the Company and its subsidiaries will satisfy the solvency and liquidity test immediately after the repurchase of shares and that since the test was done there have been no material changes to the financial position of the Group; and

(k) any such general repurchase will be subject to Exchange Control Regulations.

Having considered the effect of acquisition of the Company's securities up to a maximum limit, the directors of the Company are of the opinion that, if such acquisitions were implemented:

(i) the Company and the Group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the meeting;

(ii) the Company and the Group's assets will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Group for the year ended 30 June 2015 which comply with the Companies Act;

(iii) the share capital and reserves of the Company and the Group will be adequate for the ordinary business purposes of the Company and the Group for a period of 12 months following the date of the notice of the meeting; and

(iv) the available working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the meeting.

Statement of the Board's intention

Although there is no immediate intention to effect a repurchase of shares of the Company, the Board believes that it should retain flexibility so that the directors may utilise the general authority to repurchase shares as and when suitable opportunities present themselves and which opportunities may require immediate action.

Other disclosure in accordance with section 11.26 of the JSE Listings

The following additional information, some of which may appear elsewhere in the IAR is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Major shareholders – pages 132 to 133 of the IAR.
- Share capital of the Company – page 142 of the IAR.

Material change statement

Other than the facts and developments reported in the integrated annual report of which this notice forms part, there have been no material changes in the affairs or the financial position of the Company or that of its subsidiaries since the date of signature of the audited annual financial statements for the year ended 30 June 2015 and the date of this notice.

Directors' responsibility statement

The directors, whose names appear on pages 30 to 31 of the IAR, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all information required by law and the JSE Listings Requirements.

Reason of Special Resolution Number 7: General authority to acquire securities

The reason for special resolution number 4 is to grant the Board a general authority for the acquisition of the Company's shares by the Company, or by a subsidiary or subsidiaries of the Company.

Voting requirements

All ordinary resolutions will, in terms of the Companies Act, require support of more than 50% of the voting rights of shareholders, in their capacity as shareholder's, exercised thereon, to be approved. All special resolutions will, in terms of the Companies Act, require support of at least 75% of the total voting rights of shareholders, in their capacity as shareholders, exercised thereon at the meeting, to be approved.

Electronic participation

The Company has made provision for its shareholders or their proxies to participate electronically in the AGM by way of telephone conferencing. Should a shareholder's wish to participate in the AGM by telephone conference call as aforesaid, the shareholders, or his/her/its proxy, will be required to advise the Company thereof by submitting by email to the Company Secretary at rosao@hpf.co.za or by fax to +27 994 6321 for the attention of Mrs Rosa van Onselen, relevant contact details, including an email address, cellular number and landline number, as well as full details of the shareholders' title to securities issued by the Company and proof of identity, in the form of certified copies of identity documents and share certificates (in the case of certificated shares) and (in the case of dematerialised shares) written confirmation from the shareholders' Central Securities Depository Participant ("CSDP") confirming the shareholders' title to the dematerialised shares, to reach the Company by no later than 10:00 on Monday, 16 November 2015. Upon receipt of the required information by the Company, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the AGM. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility.

Shareholders and their appointed proxies attending the AGM by conference call will not be able to cast their votes at the AGM through this medium. Accordingly, shareholders making use of the electronic participation facility are requested to submit their forms of proxy to the Company, as directed in this notice.

Proxies, authority for representatives to act and voting

Shareholders who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy (or more than one proxy in respect of different shareholders held by them) to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company and shall be entitled to vote on a show of hands or a poll. For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith to be completed by them in their capacity as shareholders.

The enclosed form of proxy is only to be completed by those shareholders who are:

- holding shares in certificated form; or
- recorded on the Company's subregister in dematerialised electronic form with "own name" registration.

It is requested that the Company receives forms of proxy at its registered office by no later than 10:00 Thursday, 19 November 2015. If shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration, and who are entitled to attend, participate in and vote at the AGM, do not deliver forms of proxy to the Company by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the exercising of the shareholders' rights at the AGM, in accordance with the instructions therein, with the chairman of the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, participate in and vote in person at the AGM should the shareholder decide to do so.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
(CONTINUED)

All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM should contact their CSDP or broker:

- to provide them with the necessary letter of Representation in order to attend the AGM; or
- to furnish the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These shareholders must not use a form of proxy.

A Company that is a shareholder wishing to attend and participate at the AGM should ensure that a resolution authorising a representative to so attend and participate at the AGM on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the Company's transfer secretaries prior to the AGM.

Due to Hospitality's share structure, its shareholders are also its debenture holders and the matters to be voted on at the AGM are matters on which shareholders and not debenture holders, are entitled to vote. As a result, a form of proxy has only been included for shareholders in their capacity as shareholders.

Every shareholder present in person or represented by proxy and entitled to vote shall, in his/her/its capacity as shareholder, on a show of hands, have only one vote irrespective of the number of shares he/she/it holds or represents. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall, in his/her/its capacity as shareholder, be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of all the shares held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the Company.

By order of the Board

LR van Onselen
For HPF Management (Pty) Limited
Company Secretary

19 October 2015

FORM OF PROXY

HOSPITALITY PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2005/014211/06)
Share code for A shares: HPA
ISIN for A shares: ZAE000203022
Share code for B shares: HPB
ISIN for B shares: ZAE000203030
("Hospitality" or "the Company")

THIS FORM OF PROXY IS ONLY FOR USE BY:

- registered shareholders of the Company, in their capacity as shareholders, who have not yet dematerialised their Hospitality shares, recorded in the Company's securities register as at Friday, 13 November 2015, in the exercise of their voting rights in respect of the ordinary shares in the capital of the Company;
- registered shareholders, in their capacity as shareholders, who have already dematerialised their Hospitality shares and which shares are registered in their own names in the Company's subregister as at Friday, 13 November 2015.

For completion by the aforesaid, registered shareholders of Hospitality who are unable to attend the annual general meeting of the Company to be held at The Zone 11, Loft Offices East, 2nd Floor, Corner Oxford Road and Tyrwhitt Avenue, Rosebank, on Monday, 23 November 2015 at 10:00 ("the AGM").

Certificated shareholders
If you are a certificated shareholder or have dematerialised your shares with 'own name' registration and you are unable to attend the AGM of Hospitality to be held at 10:00 on Monday, 23 November 2015 at The Zone 2, Loft Offices East, 2nd Floor, Corner Oxford and Tyrwhitt Avenue, Rosebank, but wish to be represented thereat, you are requested to complete and return this form of proxy in accordance with the instructions contained herein and to lodge it with, or post it to, the Transfer Secretaries, namely Computershare Investor Services Proprietary Limited, so as to be received by them by no later than 10:00 on Thurssday, 19 November 2015.

Dematerialised shareholders, other than those with 'own name' registration
If you hold dematerialised shares in the Fund through a CSDP or broker, other than with an 'own name' registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the AGM or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary letter of representation to do so, or should you not wish to attend the AGM in person, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instructions at the AGM.

I/We (name/s in BLOCK LETTERS) _____

of (address) _____

being the registered holder/s of _____ A shares and/or B shares in Hospitality, hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairman of the AGM, as my/our proxy to attend, speak and vote for me/us on my/our behalf or to abstain from voting at the AGM of the Company and at any adjournment thereof in respect of the share component of the shares registered in my/our name/s, as follows:

	Resolutions	For	Against	Abstain
1.	Ordinary Resolution Number 1: Re-election of Mr D G Bowden as a Director			
2.	Ordinary Resolution Number 2: Re-election of Mrs L de Beer as a Director			
3.	Ordinary Resolution Number 3: Re-election of Mr V Joyner as a Director			
4.	Ordinary Resolution Number 4: Re-election of Mr W C Ross as a Director			
5.	Ordinary Resolution Number 5: Reappointment of the external auditor			
6.	Ordinary Resolution Number 6: Election of Mrs L de Beer as a member of the audit and risk committee			
7.	Ordinary Resolution Number 7: Election of Mr S A Halliday as a member of the audit and risk committee			
8.	Ordinary Resolution Number 8: Election of Ms Z Ntwasa as a member of the audit and risk committee			
9.	Ordinary Resolution Number 9: General Authority to directors to allot and issue authorised but unissued shares			
10.	Ordinary Resolution Number 10: Signature of documentation			
11.	Advisory endorsement of the remuneration policy			
12.	Special Resolution Number 1: Non-executive directors' remuneration (1 July 2015 to 30 June 2016)			
13.	Special Resolution Number 2: Non-executive directors' remuneration (1 July 2016 to 30 June 2017)			
14.	Special Resolution Number 3: Setting of an hourly ad-hoc fee for non-executive directors			
15.	Special Resolution Number 4: Ad-hoc fee payable to non-executive directors			
16.	Special Resolution Number 5: Financial assistance to subsidiaries and other related and inter-related entities in terms of sections 44 and 45 of the Companies Act			
17.	Special Resolution Number 6: Financial assistance to directors, prescribed officers and other persons participating in employee incentive schemes in terms of sections 44 and 45 of the Companies Act			
18.	Special Resolution Number 7: General authority to acquire securities			

Signed at _____ on _____ 2015

Signature(s) _____

Assisted by (where applicable) _____

Name _____ Capacity _____

Signature _____

Please read notes overleaf.

NOTES TO THE FORM OF PROXY AND SUMMARY OF RIGHTS UNDER SECTION 58 OF THE COMPANIES ACT, 2008

1. Only shareholders who are registered in the register of the Company under their own name may complete a form of proxy or attend the annual general meeting. This includes shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one individual as a proxy to attend, speak and, on a poll, to vote in his/her place at the annual general meeting. A proxy need not be a shareholder of the Company. Such shareholder may insert the name of a proxy of the shareholder's choice in the space provided, with or without deleting 'the chairman of the AGM, provided that any such deletion must be signed in full by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the class AGM.

2. The date must be filled in on this form of proxy and when it is signed.

3. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so.

4. The appointment of a proxy or proxies:

   4.1 is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;

   4.2 is revocable in which case the shareholder may revoke the proxy appointment by:

      4.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and

      4.2.2 delivering a copy of the revocation instrument to the proxy and to the Company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:

   5.1 stated in the revocation instrument, if any; or

   5.2 upon which the revocation instrument is delivered to the proxy and the relevant Company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant Company's Memorandum of Incorporation to be delivered by such Company to the shareholder must be delivered by such Company to:

   6.1 the shareholder, or

   6.2 the proxy or proxies if the shareholder has in writing directed the relevant Company to do so and has paid any reasonable fee charged by the Company for doing so.

7. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used unless revoked as contemplated in section 58(5) of the Companies Act.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. The completion of any blank space(s) need not be signed or initialled.

9. A power of attorney or other documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the AGM.

10. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

11. A Company holding shares in the Company that wishes to attend and participate in the AGM should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the Company's transfer secretaries prior to the AGM.

12. Where there are joint holders of shares, only one of such persons need sign the form of proxy. If more than one of such joint shareholder votes, whether in person or by proxy, only the vote of one of the said persons whose name appears first in the securities register in respect of such shares or his/her proxy, as the case may be, shall be counted.

13. Every shareholder present in person or represented by proxy and entitled to vote shall, in his/her/its capacity as shareholder, on a show of hands, have only one vote irrespective of the number of shares he/she/it holds or represents. On a poll every shareholder present in person or represented by a proxy and entitled to vote, shall, in his/her/its capacity as shareholder, be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares of the relevant class issued by the Company.

14. The chairman of the AGM may reject or accept any proxy which is completed and/or received, other than in accordance with these notes, provided that he shall not accept a proxy unless he/she is satisfied as to the matter in which a shareholder wishes to vote.

15. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

16. You are not obliged either to cast all your votes or to cast all your votes in the same way. A shareholder's instruction to the proxy must be indicated either by:

   16.1 the insertion of an "X" in the appropriate box next to the resolution (ie in favour of and/or against and/or by way of abstention), in which event the proxy will cast all your votes in the manner so specified; or

   16.2 setting out the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided next to the resolution, provided that, if for any resolution the aggregate number of votes to be cast would exceed the total number of shares held, you will be deemed to have given no specific instruction as to how you wish your proxy to vote in respect of that resolution.

   Failure to comply with the above will be deemed to authorise the chairman of the AGM, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting or other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

17. It is requested that this form of proxy be lodged or posted or faxed to the Company's registered office or faxed to +27 994 6321, to be received by the Company no later than 10:00 on Thursday, 19 November 2015.

NOTES

NOTES

CORPORATE INFORMATION

SECRETARIES AND MANAGERS
LR van Onselen for Hospitality Management (Pty) Limited
The Zone II, Loft Offices
East Wing, 2nd Floor
Corner Oxford Road and Tyrwhitt Avenue
Rosebank, Johannesburg, 2196
Tel: +27 (11) 994 6300
Fax: +27 (11) 994 6301

REGISTERED OFFICE
The Zone II, Loft Offices
East Wing, 2nd Floor
Corner Oxford Road and Tyrwhitt Avenue
Rosebank, Johannesburg, 2196
(PO Box 522195, Saxonwold, 2132)
Tel: +27 (11) 994 6300
Fax: +27 (11) 994 6301

BANKERS
Nedbank Limited
135 Rivonia Road
Sandton
(PO Box 1144, Johannesburg, 2000)

TRUSTEES TO DEBENTURES HOLDERS
Edward Nathan Sonnenberg Inc.
150 West Street
Sandown
(PO Box 783347, Sandton, 2146)

INDEPENDENT AUDITOR
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown, Johannesburg
(Private Bag 9, Parkview, 2122)

DEBT AND EQUITY SPONSORS
Rand Merchant Bank, a division of FirstRand Bank Limited
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
(PO Box 786273, Sandton, 2146)

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg
(PO Box 61051, Marshalltown, 2107)

Administrative team – Ellen Kgafela, Popina Mphahlele and Nomthamlazo Memela

www.hpf.co.za