An aerial photograph of a coastal city, likely Cape Town, South Africa. In the foreground, there's a rocky coastline with waves crashing against the shore. A large, modern, white, curved building, possibly a stadium or arena, is the central focus. Behind it, a dense urban area is visible, followed by a large, flat-topped mountain (Table Mountain) and other hills under a clear blue sky.

# Hospitality

PROPERTY FUND

Notice of annual general meeting 2017



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# Summarised consolidated financial statements

## Notes

for the period ended 31 March 2017

### 1. Basis of preparation and accounting policies

The summarised consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require summarised consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. Hospitality's Financial Director, MR de Lima CA(SA), supervised the preparation of the summarised consolidated financial statements. The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 30 June 2016. The summarised consolidated financial statements should be read in conjunction with the annual financial statements for the period ended 31 March 2017, which were approved by the board on 11 August 2017, have been prepared in accordance with IFRS, and can be found on Hospitality's website, [www.hpf.co.za](http://www.hpf.co.za) or a copy may be requested from the Company Secretary at [rosao@hpf.co.za](mailto:rosao@hpf.co.za).

These summarised consolidated financial statements are extracted from audited information, but are themselves not audited. The unmodified audit report of PricewaterhouseCoopers Inc., on the consolidated annual financial statements for the period ended 31 March 2017, dated 11 August 2017, is available on Hospitality's website or the registered office of the Company.

### 2. Restructure of share capital

As previously announced, in order to comply with REIT's gearing requirement in terms of the JSE Limited Listings Requirements, 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 and the adoption of a new Memorandum of Incorporation to take account of the change in the company's capital structure, received the requisite approval from both A- and B-linked unitholders at the Special General Meetings held on 21 August 2015. The change in the share capital structure was effective from 11 October 2016.

### 3. Investment property

	<b>R'000</b>
Opening net carrying amount	<b>5 169 000</b>
Acquisition of subsidiary at fair value (refer note 5)	<b>2 657 717</b>
Acquisitions, maintenance and development of investment properties	<b>73 262</b>
Fair value adjustments recognised through profit or loss	<b>205 333</b>
Disposal of investment property	<b>(107 639)</b>
Transfer of investment property from non-current assets held for sale/trading	<b>63 365</b>
Closing net carrying amount	<b>8 061 038</b>

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which is added premiums for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. Fair values are estimated annually by an appointed valuer.

As at 31 March 2017 the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 5.5%;
- A revisionary capitalisation rate of 7.26%; and
- A risk-adjusted discount rate of 12.76%

### 3. Investment property continued

The table below indicates the sensitivities of the aggregate property values for a 5% change in the net cash flows:

	Increase Rm	Decrease Rm
5% change in the net cash flows	402	(402)
25bps change in the terminal capitalisation rate	(199)	162
50bps change in the discount rate	(301)	279

### 4. Profit on sale of investment property

The Inn on the Square was disposed of for a cash consideration of R157 million on 20 November 2016. The fair value of the property at the date of sale was R108 million and a break fee of R12 million was paid to the management company due to the sale. The profit realised on the sale amounted to R36 million. Other profit on sale of investment properties realised in the period amounted to R1 million.

### 5. Acquisition of subsidiary

On 1 September 2016, the Fund acquired the entire share capital of Fezisource Proprietary Limited ('Fezisource'), a letting operation, from Southern Sun Hotels Proprietary Limited, in consideration for which, the Fund issued 145 000 000 no par value ordinary shares on the new structure to Southern Sun Hotels Proprietary Limited, to the value of R2 673 293. Management determined that the acquisition meets the definition of a business combination as opposed to an asset acquisition.

- 5.1** The fair valuation of the net assets acquired equates to the fair value of the consideration paid at the date of acquisition, and the group has recognised goodwill of R16 million with no intangible assets having been identified in respect of this acquisition. The acquired business contributed incremental revenues of R119 million and distributable income of R119 million to the group for the period from date of control to 31 March 2017. Had the acquisition occurred on 1 April 2016, rental income and distributable income would have increased by an additional R66 million. These amounts have been calculated using the group's accounting policies. The fair value of net assets acquired is as follows:

	Rm
Investment properties	2 657 717
Other current assets	12 963
Cash and cash equivalents	88 047
Other current liabilities	(101 437)
Total identifiable net assets acquired	2 657 290
Less: Purchase consideration in the form of 145 000 000 no par value ordinary shares	2 673 293
Goodwill <sup>(1)</sup>	16 003
Outflow of cash to acquire Fezisource net of cash acquired	
Cash consideration to acquire Fezisource	–
Add cash and cash equivalents acquired with Fezisource	88 047
Net inflow of cash – investing activities	88 047

<sup>(1)</sup> The goodwill was subsequently impaired as noted below

### 5.2 Acquisition-related costs

Transaction costs of R18 million were incurred with respect to the share restructure. The transaction cost is recognised in Stated Capital as shown on the Statement of Changes in Equity.

### 5.3 Impairment of goodwill

	Rm
Opening balance	16 003
Impairment loss	(16 003)
Carrying amount at year end	–

The goodwill resulted from the acquisition of the subsidiary noted above.

## Summarised consolidated financial statements continued

### Notes continued

for the period ended 31 March 2017

#### 5. Acquisition of subsidiary continued

##### 5.3 Impairment of goodwill continued

##### Impairment testing for cash-generating unit containing goodwill

For the purpose of the annual impairment testing of goodwill, the recoverable amount of the cash-generating unit was based on its value in use and a full impairment loss of R16 million was recognised.

The recoverable amount was calculated by discounting the projected future cash flows for a period of five years generated from the continuing use of the unit and was based on the same assumptions noted in Note 3.

#### 6. Provision for shareholders redemption

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

#### 7. Segmental policy

Information regarding the results of each reportable segment is included below. The reportable segments have been changed from the previous reporting period. Performance is measured based on operating profit before finance costs, as included in the internal management reports that are reviewed by the group's CEO. Geographical segments are used to measure performance as the group's CEO believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries, particularly post the acquisition of the additional hotel properties during the period.

#### 8. Contingent liability

On 20 November 2016, the Inn on the Square was sold. The Fund has given certain guarantees, which in total shall not exceed 10% of the sales price of R157 million or R5 million in respect of any one guarantee, these guarantees expire on 19 October 2017. Management is of the view that the likelihood of any of the guarantees being claimed, which may result in a cash outflow, is remote.

#### 9. Related party transactions

Tsogo Sun acquired 55% of the Hospitality B-linked units (27% of the voting interest) in August 2015. Tsogo Sun then acquired a controlling stake in the Fund, through the injection of hotel assets such that the issue of shares to Tsogo Sun resulted in Tsogo Sun owning 50.6% of the shares following the reconstitution of Hospitality's capital into a single class of shares. The remaining administrative conditions precedent to the transaction were fulfilled in August 2016 and the effective date of the transaction was 1 September 2016. The acquisition was in line with the Fund's strategy and has therefore not changed the composition of the Fund. Rental income received from Tsogo Sun, for the period 1 September 2016 to 31 March 2017, was R119 million.

#### 10. Capital commitment

The board has committed a total of R127 million for maintenance and expansion capital items at its hotel properties of which R127 million is anticipated to be spent during the next financial year. R7 million of the committed capital expenditure has been contracted for.

#### 11. Subsequent events

As stated in the announcement released on SENS on Tuesday, 11 April 2017, shareholders were advised that HPF Properties Proprietary Limited, a wholly owned subsidiary of Hospitality has, subject to certain conditions precedent, concluded:

- an agreement with Savana Property Proprietary Limited to acquire various sections and exclusive use areas of the Sandton Eye sectional title scheme; and
- an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing real right of extension in the scheme for an aggregate purchase consideration of R302 million.

Hospitality concluded an agreement with Tsogo Sun to acquire 100% of the share capital in The Cullinan Hotel Proprietary Limited and Merway Fifth Investments Proprietary Limited effective 1 July 2017. The acquisition of the portfolio includes 29 letting operations for an aggregate purchase consideration of R3.6 billion, which was calculated on an income-for-income basis.

Subsequent to year end, on 24 May 2017, the board of directors declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2017 of 44.92 cents per share. The number of ordinary shares in issue at the date of this declaration was 328 132 663 (excluding appraisal right shares).

Hospitality's R1 billion rights offer closed on Friday, 4 August 2017. A total of 71 428 571 rights offer shares were available for subscription in the ratio of 21.76820 rights offer shares for every 100 Hospitality shares held on the rights offer record date, at an issue price of R14.00 per rights offer share. Subscriptions for 64 462 652 rights offer shares were received and applications for 6 422 271 excess rights offer shares were fulfilled. Excess rights offer shares amounting to 543 648 were allocated to the underwriter.

Following the above subsequent events, the total issued share capital of the company increased to 578 154 207 ordinary shares.

## Summarised consolidated income statement

for the period ended 31 March 2017

	9 months March 2017 R'000	12 months June 2016 R'000
<b>Revenue</b>	<b>498 803</b>	474 328
Rental income – contractual	498 803	474 553
– straight-line accrual	–	(225)
Operating expenses	<b>(38 858)</b>	(44 852)
<b>Operating profit</b>	<b>459 945</b>	429 476
Profit/(loss) on sale of investment properties	<b>36 528</b>	(13 556)
Goodwill impairment	<b>(16 003)</b>	(12 000)
Net finance cost	<b>(115 504)</b>	(158 085)
Finance income	<b>20 556</b>	12 737
Finance costs	<b>(136 060)</b>	(170 822)
<b>Profit before fair value adjustments and taxation</b>	<b>364 966</b>	245 835

## Summarised consolidated statement of comprehensive income

for the period ended 31 March 2017

	9 months March 2017 R'000	12 months June 2016 R'000
<b>Profit before fair value adjustments and taxation</b>	<b>364 966</b>	245 835
<b>Fair value adjustments</b>	<b>179 191</b>	257 412
Investment properties, before straight-lining adjustment	<b>184 173</b>	251 024
Straight-line rental income accrual	–	225
Total fair value of investment properties	<b>184 173</b>	251 249
Interest-rate swaps	<b>(4 982)</b>	6 163
<b>Profit before taxation</b>	<b>544 157</b>	503 247
Debenture discount amortisation	–	(2 313)
Equity accounted profit from associate after tax	<b>409</b>	264
Taxation	–	(9)
<b>Total profit and comprehensive income for the year</b>	<b>544 566</b>	501 189

## Supplementary information

for the period ended 31 March 2017

	9 months March 2017 R'000	12 months June 2016 R'000
Reconciliation between earnings, headline earnings and distributable earnings		
Total profit and comprehensive income for the year	544 566	501 189
Adjustments:		
(Profit)/Loss on sale of investment properties	(36 528)	13 556
Goodwill impairment	16 003	12 000
Impairment to furniture, fitting and equipment	-	265
Loss on disposal of furniture, fitting and equipment	-	7
Fair value – investment properties revaluation	(184 173)	(251 024)
Fair value – straight line rental income	-	(225)
<b>Headline earnings (shares/linked units)</b>	<b>339 868</b>	<b>275 768</b>
Fair value – interest rate swaps	4 982	(6 163)
Debenture discount amortisation	-	2 313
Impairment to furniture, fitting and equipment	-	(265)
Loss on disposal of furniture, fitting and equipment	-	(7)
Straight-line rental income	-	225
<b>Distributable earnings</b>	<b>344 850</b>	<b>271 871</b>
<b>Number of shares/units</b>		
<b>A – shares</b>	-	144 285 503
<b>B – shares</b>	-	133 995 396
– Shares in issue	-	144 285 503
– HPF Employee Incentive Trust shares	-	(1 969 710)
– Shareholder redemption	-	(8 320 397)
<b>No par value ordinary shares<sup>(1)</sup></b>	<b>327 569 902</b>	-
– Shares in issue	330 509 932	-
– HPF Employee Incentive Trust shares	(562 774)	-
– Shareholder redemption (refer to note 6)	(2 377 256)	-
<b>Weighted average number of shares</b>		
<b>No par value ordinary shares<sup>(1)</sup></b>	<b>327 569 902</b>	<b>182 569 902</b>
– Shares in issue	330 509 932	185 509 932
– HPF Employee Incentive Trust shares	(562 774)	(562 774)
– Shareholder redemption (refer to note 6)	(2 377 256)	(2 377 256)
<b>Distribution per share (cents)<sup>(2)</sup></b>		
No par value share	105.09	148.54
– Interim	60.17	73.23
– Final	44.92	75.30
	105.09	148.54
<b>Earnings and diluted earnings per share (cents)</b>		
<b>No par value ordinary shares<sup>(1)</sup></b>	<b>166.24</b>	<b>274.52</b>
<b>Headline earnings and diluted headline earnings per share (cents)</b>		
<b>No par value ordinary shares<sup>(1)</sup></b>	<b>103.75</b>	<b>151.05</b>

<sup>(1)</sup> The weighted average number of shares in the prior year, have been restated into the current capital structure as required by IAS 33, and as explained in note 3.

<sup>(2)</sup> The distribution per share has been restated as required by IAS 33.

## Summarised consolidated statement of cash flows

for the period ended 31 March 2017

	9 months March 2017 R'000	12 months June 2016 R'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	329 152	453 473
Finance income received	20 556	12 737
Finance costs paid	(136 060)	(170 822)
Taxation	-	(109)
Net cash (outflow)/inflow from operating activities	213 648	295 279
<b>Cash flows from investing activities</b>		
Acquisition, maintenance and development of investment properties	(73 262)	(131 157)
Proceeds from the disposal of investment properties	146 872	206 362
Acquisition of furniture and equipment	(153)	(202)
Acquisition of subsidiary, net of cash acquired (note 5.2)	88 047	-
Distribution paid to shareholders	(334 617)	(247 561)
Dividends received from associates	251	200
Net cash inflow from investing activities	(172 862)	(172 358)
<b>Cash flows from financing activities</b>		
Interest-bearing liabilities raised	-	232 200
Interest-bearing liabilities paid	(7 000)	(365 011)
Transaction costs	(17 992)	-
Net cash inflow/(outflow) from financing activities	(24 992)	(132 811)
Net increase/(decrease) in cash and cash equivalents	15 794	(9 890)
Cash and cash equivalents at beginning of year	194 260	204 150
<b>Cash and cash equivalents at end of year</b>	<b>210 054</b>	<b>194 260</b>

## Summarised consolidated segmental information

for the period ended 31 March 2017

	9 months March 2017 R'000	12 months June 2016 R'000
<b>Total assets</b>		
Western Cape	3 593 343	2 742 000
Gauteng	2 532 781	2 062 491
Remainder of South Africa	2 000 522	494 000
Head Office	328 417	280 096
	8 455 063	5 578 587
<b>Rental revenue</b>		
Western Cape	238 487	224 398
Gauteng	149 697	174 483
Remainder of South Africa	110 619	75 672
	498 803	474 553
<b>Operating profit for the period</b>		
Western Cape	238 487	224 398
Gauteng	149 697	174 483
Remainder of South Africa	110 619	75 672
Head Office	(38 858)	(45 077)
	459 945	429 476

# Summarised consolidated statement of financial position

as at 31 March 2017

	March 2017 R'000	June 2016 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>8 063 583</b>	5 174 459
Investment properties	<b>8 061 038</b>	5 169 000
Furniture, fittings and equipment	<b>198</b>	180
Derivative asset	<b>1 870</b>	4 961
Investment in associates	<b>477</b>	318
<b>Current assets</b>	<b>391 480</b>	404 128
Non-current assets held for sale	<b>65 610</b>	129 491
Properties held for trading	–	22 643
Derivative asset	<b>280</b>	699
Trade and other receivables	<b>115 536</b>	57 035
Cash and cash equivalents	<b>210 054</b>	194 260
<b>Total assets</b>	<b>8 455 063</b>	5 578 587
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>6 597 503</b>	3 732 253
Stated capital	<b>5 565 258</b>	2 909 957
Retained earnings	<b>138 719</b>	107 961
Fair value reserve	<b>893 526</b>	714 335
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>	<b>1 641 007</b>	1 126 540
Interest-bearing liabilities	<b>1 488 493</b>	1 125 063
Derivative liability	<b>2 514</b>	1 477
<b>Current liabilities</b>	<b>216 553</b>	719 794
Trade and other payables	<b>111 876</b>	95 552
Short-term portion of interest-bearing liabilities	<b>230 000</b>	600 000
Provision for shareholder redemption	<b>24 129</b>	24 129
Derivative liability	<b>548</b>	113
<b>Total equity and liabilities</b>	<b>8 455 063</b>	5 578 587

# Summarised consolidated statement of changes in equity

for the nine months ended 31 March 2017

	Share capital R'000	Share premium R'000	Stated capital R'000	Treasury share reserve R'000	Retained earnings R'000	Fair value reserve R'000	Total R'000
<b>Balance at 1 July 2015</b>	28	515 903	–	–	(2 332)	457 148	970 747
Total profit and comprehensive income for the year	–	–	–	–	501 189	–	501 189
Transactions with owners, recorded directly in equity	(28)	(515 903)	2 919 952	(9 995)	(390 896)	257 187	2 260 317
Conversion of par value shares into no-par value shares	(28)	(515 903)	515 931	–	–	–	–
Conversion of debentures into stated capital	–	–	2 428 150	–	–	–	2 428 150
Conversion of no-par value treasury shares into no-par value shares	–	–	–	(9 995)	–	–	(9 995)
Dividend paid – interim for 31 December 2016	–	–	–	–	(133 709)	–	(133 709)
Provision for shareholders redemption	–	–	(24 129)	–	–	–	(24 129)
Transfer to fair value reserve – investment properties	–	–	–	–	(251 024)	251 024	–
Transfer to fair value reserve – interest rate swaps	–	–	–	–	(6 163)	6 163	–
<b>Balance at 30 June 2016</b>	–	–	<b>2 919 952</b>	<b>(9 995)</b>	<b>107 961</b>	<b>714 335</b>	<b>3 732 253</b>
Total profit and comprehensive income for the year	–	–	–	–	<b>544 566</b>	–	<b>544 566</b>
Transactions with owners, recorded directly in equity	–	–	<b>2 655 301</b>	–	<b>(513 808)</b>	<b>179 191</b>	<b>2 320 684</b>
Transaction costs (capital restructure and Tsogo transaction)	–	–	<b>(17 992)</b>	–	–	–	<b>(17 992)</b>
Issue of 145 000 000 no par value ordinary shares	–	–	<b>2 673 293</b>	–	–	–	<b>2 673 293</b>
Dividend paid – final for 30 June 2016 year-end	–	–	–	–	<b>(137 165)</b>	–	<b>(137 165)</b>
Dividend paid – clean-out dividend regarding the Tsogo transaction	–	–	–	–	<b>(13 406)</b>	–	<b>(13 406)</b>
Dividend paid – interim for 31 December 2016	–	–	–	–	<b>(184 046)</b>	–	<b>(184 046)</b>
Transfer to fair value reserve – investment properties	–	–	–	–	<b>(184 173)</b>	<b>184 173</b>	–
Transfer to fair value reserve – interest rate swaps	–	–	–	–	<b>4 982</b>	<b>(4 982)</b>	–
<b>Balance at 31 March 2017</b>	–	–	<b>5 575 253</b>	<b>(9 995)</b>	<b>138 719</b>	<b>893 526</b>	<b>6 597 503</b>

## Board of directors

### Executive directors



#### Keith Randall (53)

Chief Executive Officer, executive director

*BSc (Eng), GDE, MBA (University of Cape Town)*  
Date of appointment: 1 January 2017.

Keith was appointed to the position of Chief Executive Officer at Hospitality with effect from 1 January 2017 and is a member of the social and ethics committee. Prior to his appointment at Hospitality, Keith had been with the Tsogo Sun group for over 20 years, principally in the development of new hotels and the oversight of major hotel refurbishments in South Africa, Africa and the Middle East. More recently, he was a director of Sun1 Hotels Proprietary Limited, following the acquisition of the Formula 1 Group in South Africa from Accor and was responsible for the refurbishment and repositioning of this hotel chain.



#### Mara de Lima (39)

Financial Director  
*CA(SA)*

Date of appointment: 30 September 2016.

Mara was appointed the Financial Director of Hospitality effective 30 September 2016. Mara served her articles at KPMG Inc. and joined Southern Sun Hotels Proprietary Limited as management accountant in October 2007. She was appointed the group Financial Manager of Tsogo Sun Hotels in February 2009.

### Non-executive directors



#### John Copelyn (66)

Chairman, non-executive director  
*BA (Hons), BProc*

Date of appointment: 1 September 2016.

John was appointed as Chairman of Hospitality, effective 30 November 2016. John joined Hosken Consolidated Investments Limited as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974, before becoming a member of parliament in 1994. He currently holds various directorships and is the non-executive Chairman of Tsogo Sun and e.tv. John is the Chairman of Hospitality's nominations committee and a member of the remuneration committee.



#### Jacques Booysen (57)

Non-executive director  
*CA(SA)*

Date of appointment: 8 June 2017.

Jacques is a Chartered Accountant (SA) and was a partner at PricewaterhouseCoopers Inc. prior to working at the Gauteng Gambling Board for 12 years, where he held the position of Chief Executive Officer. He joined Tsogo Sun in 2007 and served as the Financial Director of Tsogo Sun gaming and subsequently the Managing Director of Tsogo Sun gaming prior to his appointment as the Chief Executive Officer of Tsogo Sun.



#### Rob Nicoletta (48)

Non-executive director  
*CA(SA), PLD*

Date of appointment: 1 September 2016.

Rob joined Hosken Consolidated Investments Limited (HCI) in 2011. Rob serves on the boards of subsidiary companies Business Systems Group Africa Proprietary Limited, Syntell Proprietary Limited, and Group associate company Impact Oil and Gas Limited. Prior to joining HCI he was employed by Investec Bank Limited for 17 years, most notably in the capacity as Head of Corporate Banking and subsequently Head of Private Banking for the Western Cape.



#### Laurelle McDonald (35)

Non-executive director  
*CA(SA)*

Date of appointment: 1 September 2016.

Laurelle served her articles at Grant Thornton and joined Gold Reef Resorts as an assistant financial manager at Silverstar Casino in 2007. Thereafter, she was appointed as the group Financial Manager and the Company Secretary of Gold Reef Resorts. After the acquisition of Gold Reef Resorts by Tsogo Sun, Laurelle was appointed Corporate Finance and Treasury Manager of Tsogo Sun and currently serves as a member of Tsogo Sun's executive committee.



#### Zibusiso Kganyago (50)

Non-executive director  
*BCom (University of Natal)*

Date of appointment: 1 September 2016.

Zibusiso is Director of Developments at Tsogo Sun Gaming and has been with Tsogo Sun for 19 years. Zibusiso's property experience spans a 20-year period, having concluded Cosatu's first property transaction, while she was their accountant, whereafter she moved to Intersite Property Management Service, then Southern Sun. Zibusiso joined Southern Sun as Development Manager and moved across to Tsogo Sun in the same year. Zibusiso was later promoted to the position of Director of Developments.

## Independent non-executive directors



**Linda de Beer (47)**

Lead independent non-executive director

CA(SA), Chartered Director (SA), Masters (Taxation)  
Date of appointment: 17 August 2011.

Linda is an independent director, reporting and governance adviser. She is also a director on the boards of Royal Bafokeng Platinum Limited, Sasfin Bank Limited, Sasfin Holdings Limited and the Chairman of Aspen Finance Proprietary Limited. Linda, inter alia, serves on the King Committee on Corporate Governance (member of the King IV Task Team) 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 remuneration and nominations committees.



**Don Bowden (58)**

Independent non-executive director  
BCom (Economics), BAcc (Wits), CA(SA)

Date of appointment: 24 August 2012.

Don was appointed to the board in August 2012. He is a non-executive director of Foord Unit Trusts (RF) 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, marketing and human resources portfolios for the banking group. Following the merger of BoE with Nedcor (later to be renamed The Nedbank Group) 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 served as Chairman of the board from 30 June 2013 to 30 November 2016. He chairs the remuneration committee and is a member of the audit and risk committee.



**Gerald Nelson (61)**

Independent non-executive director  
BSc Building (Wits)

Date of appointment: 25 May 2005.

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 Company in 2006. He conceptualised and was actively involved with the set-up of the Company. 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 38 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 11 years. Gerald is a member of the nominations, and social and ethics committees. He is currently involved in various local and offshore property development and investment activities.



**Zuko Kubukeli (43)**

Independent non-executive director  
PhD (Human Biology) (UCT), BSc (Medicine) (Hons) (UCT), BSc (Biochemistry and Microbiology) (UCT)

Date of appointment: 27 June 2008.

Zuko was a Regional Property Manager of Atlas Property Services Proprietary Limited, the management company of the listed property loan stock company, Atlas Properties Limited, prior to which he was an executive director of Brait Specialised Funds. Zuko is the executive director – strategy and acquisitions, of Pan-African Capital Holdings Proprietary Limited and a principal and Chief Executive Officer of Pan-African Private Equity Fund One and Two. He was appointed to the board of Hospitality in June 2008. Zuko chairs the social and ethics committee and serves on the nominations committee.



**Willy Ross (71)**

Independent non-executive director  
CTA, CA(SA)

Date of appointment: 10 April 2007.

Willy was appointed as an independent non-executive director in April 2007. Willy has more than 30 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 12 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 (70)**

Independent non-executive director  
CAIB (SA), ACIS

Date of appointment: 30 June 2013.

Syd retired from Nedbank in 2004 where he had held various senior credit risk management positions in the property finance departments of Nefic, Syfrets, Nedcor Investment Bank and Nedbank. Syd served as the independent Chairman of Nedbank Corporate Property Finance's main property lending committee up to December 2012. He joined the board of Hospitality on 30 June 2013 and is a member of the audit and risk committee. He also serves on the board of Dipula Income Fund Limited and consults to Rand Merchant Bank as a member of their real estate credit committee and Sasfin Bank in their real estate private equity fund.



**Zola Malinga (39)**

Independent non-executive director  
CA(SA), BCom (Accounting)

Date of appointment: 8 July 2013.

Zola qualified as a Chartered Accountant (SA) in 2003, having completed a postgraduate diploma in accounting at the University of Natal (Durban) and a bachelor of commerce at the University of Cape Town. She is 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 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 and remuneration committees.

## Analysis of ordinary shareholdings

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	185	20.95	61 820	0.02
1 001 – 10 000	302	34.20	1 170 103	0.36
10 001 – 100 000	227	25.71	8 375 310	2.53
100 001 – 1 000 000	134	15.18	40 932 752	12.38
Over 1 000 000	35	3.96	279 969 934	84.71
<b>Total</b>	<b>883</b>	<b>100.00</b>	<b>330 509 919</b>	<b>100.00</b>
<b>Distribution of shareholders</b>				
Assurance companies	11	1.25	7 790 570	2.35
Close corporations	17	1.93	845 873	0.25
Collective investment schemes	115	13.02	105 724 733	31.99
Control accounts	1	0.11	14	0.00
Custodians	6	0.68	4 214 967	1.28
Foundations and charitable funds	16	1.81	2 294 781	0.69
Hedge funds	6	0.68	2 194 931	0.66
Insurance companies	6	0.68	803 072	0.24
Investment partnerships	5	0.57	29 523	0.01
Managed funds	11	1.25	482 488	0.15
Medical aid funds	12	1.36	2 498 668	0.76
Organs of state	2	0.23	2 949 439	0.89
Private companies	29	3.28	169 239 923	51.21
Public companies	2	0.23	18 061	0.01
Public entities	3	0.34	394 452	0.12
Retail shareholders	427	48.35	3 261 288	0.99
Retirement benefit funds	143	16.19	24 282 406	7.35
Scrip lending	2	0.23	363 600	0.11
Share schemes	1	0.11	562 774	0.17
Stockbrokers and nominees	12	1.36	890 949	0.27
Trusts	55	6.23	1 667 405	0.50
Unclaimed scrip	1	0.11	2	0.00
<b>Total</b>	<b>883</b>	<b>100.00</b>	<b>330 509 919</b>	<b>100.00</b>
<b>Shareholder spread</b>				
<b>Shareholder type</b>	<b>Number of shareholdings</b>	<b>% of total shareholdings</b>	<b>Number of shares</b>	<b>% of issued capital</b>
<b>Non-public shareholders</b>				
> 10% Southern Sun Hotels Proprietary Limited	6	0.68	168 714 810	51.04
Share schemes	1	0.11	167 384 056	50.64
Directors and associates <sup>(1)</sup>	1	0.11	562 774	0.17
Public shareholders	4	0.46	767 980	0.23
<b>Total</b>	<b>877</b>	<b>99.32</b>	<b>161 795 109</b>	<b>48.96</b>
<b>Total</b>	<b>883</b>	<b>100.00</b>	<b>330 509 919</b>	<b>100.00</b>
<b>Fund managers with a holding greater than 3% of the issued shares</b>				
Coronation Fund Managers			78 675 000	23.80
Prudential Investment Managers			17 405 721	5.27
Sanlam Investment Management			10 619 703	3.21
<b>Total</b>			<b>106 700 424</b>	<b>32.28</b>
<b>Beneficial shareholders with a holding greater than 3% of the issued shares</b>				
Southern Sun Hotels Proprietary Limited			167 384 056	50.64
Coronation Fund Managers			53 164 691	16.09
Sanlam Group			13 643 470	4.13
Nedbank Group			11 477 456	3.47
<b>Total</b>			<b>245 669 673</b>	<b>74.33</b>
<b>Total number of shareholdings</b>	<b>883</b>			
<b>Total number of shares in issue</b>			<b>330 509 919</b>	

<sup>(1)</sup> Refer to details on directors and associates on page 13.

**Directors' interests**

The directors' holdings of shares at 30 June 2016 were:

**A shares (prior to capital restructure)**

	Direct beneficial	Indirect beneficial	Associate	Total shares held
GA Nelson	–	–	288 169	288 169
Total	–	–	288 169	288 169

**B shares (prior to capital restructure)**

ZN Kubukeli	–	118 715	–	118 715
GA Nelson	–	–	825 625	825 625
	–	118 715	825 625	944 340

The directors' holdings of shares at 31 March 2017 were:

**Ordinary share (subsequent to capital restructure)**

	2017			Total
	Director Direct beneficial	Indirect beneficial	Associate	
ZN Kubukeli	–	–	33 919	33 919
GA Nelson	–	–	524 062	524 062
L McDonald	–	–	52 500	52 500
M von Aulock*	–	–	157 500	157 500
	–	–	767 981	767 981

**Note:** Subsequent to year end, on 18 July 2017, L McDonald via an associate, acquired an additional 11 866 ordinary shares. The directors followed their rights in the recent rights offer concluded on 4 August 2017. Other than disclosed, there have been no further changes to directors' interests subsequent to year end.

\* Resigned 1 June 2017.

The directors' holdings of shares at 11 August 2017 were:

**Ordinary shares (subsequent to rights offer)**

	Director			Total
	Direct beneficial	Indirect beneficial	Associate	
J Booysen <sup>^</sup>	133 957	–	–	133 957
ZN Kubukeli	–	–	33 919	33 919
GA Nelson	–	–	524 062	524 062
L McDonald	–	–	69 232	69 232
	133 957	–	627 213	761 170

<sup>^</sup> Appointed 8 June 2017.

# Remuneration

## Remuneration philosophy and policy

The key goals of Hospitality’s remuneration philosophy and policy 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 other stakeholders; and
- promote a culture that supports initiative and innovation, with appropriate short and long-term rewards that are fair and achievable.

Hospitality has aligned its grading philosophy and contracts of employment with that of its majority shareholder, Tsogo Sun.

### Fair, responsible and transparent remuneration

<p><b>Guaranteed</b></p> <p>Basic CTC</p> <p><i>Median level for specific position</i></p>	<p><b>Short-term incentives</b></p> <p>Annual</p> <p><i>Based on financial (60% to 80%) and key performance objectives (20% to 40%)</i></p>	<p><b>Long-term incentives</b></p> <p>Three years plus</p> <p><i>Aligned to shareholder returns</i></p>
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The fixed and variable mix of remuneration structure differs based on the employee grade.

Basic salaries and a 13th cheque are guaranteed for employees other than executives and management, and the cost of benefits are shared between the employee and the employer on a 50:50 basis. Basic salaries for executives and management are guaranteed and are structured on a cost-to-company basis.

Hospitality seeks to remunerate responsibly, fairly and transparently and seeks to achieve a balance of short-term incentives and long-term incentives as part of a complete remuneration package that will motivate short-term returns and long-term value creation for shareholders. The combination of these components ensures that above average pay is only received for above average performance and above average sustainable shareholder returns.

### Short-term incentives (‘STIs’)

Executives and management participate in STIs, which are based on financial targets and key performance objectives. Executives have a larger portion of their potential total remuneration subject to the achievement of financial targets. Financial targets are measured at

EBITDAR and adjusted earnings pre-LTI on a 50:50 basis. The potential STI is based on 20% to 40% key performance objectives, according to the employee grading of the participant. Key performance objectives, over which the participant has influence in order to ensure that achievement of short-term financial performance is not at the expense of future opportunities, are agreed upfront annually between the participant and his/her immediate manager.

### Long-term incentives (‘LTIs’)

The Hospitality Employee Incentive Trust (‘the Trust’) was implemented in 2013. The Trust is a share-based payment ‘scheme’, which is considered a share appreciation rights cash-settled scheme, based on the appreciation of the B share under the prior capital structure. Through the Trust, tranches of B shares amounting to 1 969 710 B shares were acquired in the open market at an average cost of R5.07 each and were allocated to beneficiaries of the trust at the time, being the Chief Executive Officer (‘CEO’), the Financial Director (‘FD’) and management. The acquisition was funded by an interest-free loan from HPF Properties Proprietary Limited, a wholly owned subsidiary of Hospitality Property Fund Limited, which loan is revalued annually based on the price of the B share at year end.

The Trust units vest in equal parts over a period of three years, commencing on 30 September 2016. Both executive directors who were beneficiaries of the Trust had left the employment of the Company prior to the vesting of the units, and their allocations reverted to the Trust. At the time of vesting, beneficiaries have the option to take up their portion thereof at cost, plus outstanding loan interest, less distribution payments received toward loan payments. Due to the eroded value of the units, none of the beneficiaries have elected to take up their options. Following the capital restructure, the HPF Employee Incentive Trust owns 562 774 ordinary shares of no par value, of which 293 204 are issued to management and employees. Neither of the current two executives are beneficiaries of the Trust.

It is the Company’s intention to restructure its current LTI scheme. Until such time that the Company’s LTI scheme has been restructured, executives and senior management, according to their employee grade, participate in the Tsogo Sun share appreciation bonus plan. Appreciation units are allocated annually to executives and selected managers at market price. They are available to be settled on the third anniversaries of their allocation, but must be exercised by the sixth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun’s share price over the allocation price plus dividends declared and paid post-grant date, which value will be settled in cash. The following table reflects the liability for LTIs and summarises details of the bonus units awarded to participants for the financial year and their expiry dates:

Grant date	Appreciation units granted	Strike price	Vesting date	Expiry date
1 April 2017	321 430	28.00	31 March 2020	31 March 2023

### Executive directors' service contracts

The CEO and FD are both full-time salaried employees of Hospitality. Their employment contracts are subject to three months' notice periods and contain no restraint of trade clauses.

Subsequent to the Tsogo Sun transaction becoming effective on 1 September 2016 and as announced on SENS on 21 September 2016, in line with the change of control clause contained in the previous CEO's contract of employment, his term as CEO and a member of the board of Hospitality was terminated by the board with effect from 31 December 2016.

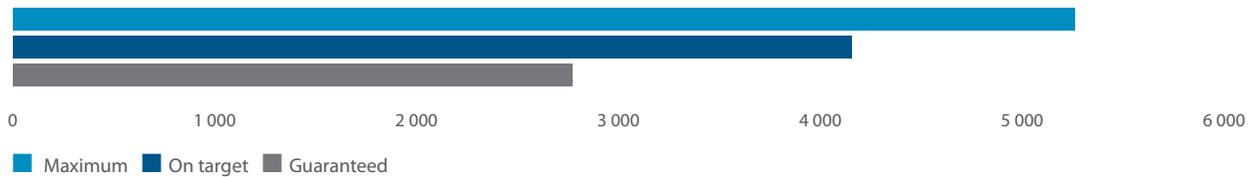
Riaan Erasmus held the role of acting CFO from August 2015 to 30 September 2016, when Mara de Lima was appointed as permanent FD.

### Implementation report

#### Executive directors' composition of total remuneration package

The charts below provide an indication of the remuneration outcomes for the executive directors showing potential total remuneration for maximum, on target and minimum performance levels.

Chief executive officer – value of package in Rand ('000)



Financial director – value of package in Rand ('000)



The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2017
- Short-term incentives – based on scheme rules with maximum bonus paid at maximum performance and nil bonus below threshold performance
- Long-term incentives – excluded from the charts as issued at market price and participants rewarded through variable share price increases

## Remuneration continued

### Executive directors' remuneration

2017	Salaries R'000	Bonuses <sup>(5)</sup> R'000	Termination R'000	Total R'000
KG Randall (CEO) <sup>(1)</sup>	650	165	–	815
MR de Lima (FD) <sup>(2)</sup>	900	395	–	1 295
VM Joyner (previous CEO) <sup>(3)</sup>	1 425	569	5 787	7 781
R Erasmus* (previous acting CFO) <sup>(4)</sup>	730	115	–	845
	<b>3 705</b>	<b>1 244</b>	<b>5 787</b>	<b>10 736</b>

\* Prescribed officer

<sup>(1)</sup> 1 January 2017 to 31 March 2017

<sup>(2)</sup> 1 October 2016 to 31 March 2017

<sup>(3)</sup> 1 July 2016 to 31 December 2016

<sup>(4)</sup> 1 July 2016 to 31 December 2016

<sup>(5)</sup> The executive directors have R3.8 million invested appreciation units at 31 March 2017

2016	Salaries R'000	Bonuses R'000	Leave paid out R'000	Total R'000
VM Joyner (CEO)	2 148	2 700	–	4
R Asmal (previous FD)	202	–	541	743
R Erasmus* (acting CFO)	1 387	973	–	2 360
	<b>3 737</b>	<b>3 673</b>	<b>541</b>	<b>7 951</b>

\* Prescribed officer

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

### Non-executive directors' fees

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 consists of either:

- a basic fee in the form of an annual retainer; or
- a per meeting fee for actual attendance in the case of the nomination and remuneration committee members.

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 ('AGM').

The increase in non-executive directors' fees for FY2017 was approved by shareholders at the 2016 AGM at a maximum of 8%, subject to board approval. The board approved, on recommendation by the remuneration committee, an inflationary increase to all non-executive directors' fees of 6.5%, with the exception of Mrs de Beer's fee as Chairman of the audit and risk committee, which was increased by 8%, due to her additional responsibilities as the lead independent director.

2017	Directors' fees R'000	Consulting fees R'000	Total R'000
<b>Non-executive directors' fees</b>			
JA Copelyn <sup>(1)(2)</sup>	142	–	142
L de Beer	293	–	293
DG Bowden	283	–	283
ZN Malinga	238	–	238
SA Halliday	238	–	238
GA Nelson	230	177	407
ZN Kubukeli	219	–	219
WC Ross	192	–	192
MN von Aulock <sup>(1)(2)</sup>	113	–	113
L McDonald <sup>(1)(2)</sup>	113	–	113
ZJ Kganyago <sup>(1)(2)</sup>	113	–	113
JR Nicolella <sup>(1)(2)</sup>	113	–	113
	<b>2 287</b>	<b>177</b>	<b>2 464</b>

<sup>(1)</sup> Fees are paid to the respective group companies and not to the individuals

<sup>(2)</sup> 1 September 2016 to 31 March 2017

2016	Directors' fees R'000	Consulting fees R'000	Total R'000
DG Bowden	371	–	371
GA Nelson	337	1 490	1 827
L de Beer	375	–	375
SA Halliday	341	–	341
ZN Kubukeli	323	–	323
ZN Malinga	297	–	297
WC Ross	290	–	290
	2 334	1 490	3 824

Shareholders are requested at the Company's 2017 AGM to grant the board the necessary authority to increase directors' fees for the period for 1 April 2018 to 31 March 2019 up to a maximum of 8%.

### Non-executive directors' ad hoc fee

In terms of the Company's MOI and the Companies Act, an hourly ad hoc fee may be 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 is 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. Principle 153 of King III supports the setting of an ad hoc fee for non-executive directors.

Shareholders approved an hourly ad hoc fee of R1 750 at the AGM held on 23 November 2015.

## Social and ethics committee review

### In executing its duties and responsibilities, the social and ethics committee considers the monitoring factors contained in Regulation 43 of the Companies Act and the related internal controls in place.

During the period under review, the committee considered various initiatives, policies and procedures, business processes and business and stakeholder relationships that could impact its areas of focus, which include:

1	2	3	4	5	6	7
<b>Ethics management, compliance and anti-corruption</b>	<b>Good corporate citizenship</b>	<b>Social and economic development</b>	<b>Environmental awareness</b>	<b>Monitoring of stakeholders' relationships</b>	<b>Empowerment and transformation</b>	<b>Labour and employment</b>

Hospitality endeavours to ensure that its ethical tone is shared and implemented by its contracted tenants and their representative hotel management companies.

Whistle-blowing and anti-corruption procedures are in place and stakeholders are encouraged, to report, if necessary, through anonymous and independently conducted ethics hotlines, the actions and individuals that compromise or threaten the Company's values, reputation and code of ethics. Investigations are carried out and findings reported, and disciplinary, civil or criminal action is taken as and when appropriate. A dedicated ethics hotline is in place at Hospitality's head office. This ethics hotline also serves Kopanong Hotel and Conference Centre and Birchwood Hotel and OR Tambo Conference Centre. Each management company also has an ethics hotline in place for the hotel properties that it operates. The audit and risk committee provides an additional level of oversight to support the social and ethics committee in these matters. No whistle-blowing incidents were reported to the head office ethics hotline during the period under review.

The Company aims to act responsibly and to contribute to the development of the societies in which it operates, whether it be by employing and training staff from the nearby communities, mentorships and sponsorship, donations or charitable giving, as follows:

- MCON, Hospitality's enterprise development project which continues to operate at Arabella Hotel and Spa. MCON was established in 2013, to meet the requirement for clearing of alien vegetation on the Arabella Phase 2 site, in order to protect the biosphere and surrounding areas and to reduce the consumption of water by alien vegetation.

Hospitality provided MCON with a five-year, interest-free enterprise development loan of R348 000 for company set-up costs, the purchase of a 4x4 vehicle, equipment, supplies and staff training. MCON's activities are monitored by Hospitality and ongoing support is provided in business management and finance. MCON employs its staff members from the local communities.

- Donation of equipment (valued at R87 000) to the Tsogo Sun's Entrepreneurs Programme for guest houses in Cape Town.
- The Hospitality Fund Bursary Scheme, awarded three bursaries for the completion of a three-year National Diploma in Hospitality management or Food and Beverage management with the University of Johannesburg ('UJ') at a total cost of R140 000. The beneficiaries of these bursaries have a one-year service obligation to Hospitality for each year of study. Third-year bursary students complete their practical training with Hospitality.
- Bursaries were awarded to three students to study Hotel Management at Cape Town University, Stenden Hotel School and UJ Business School at a total cost of R100 000. A bursary was also awarded to an Executive Sous Chef completing his second year at HTA Culinary School as part of a block release programme at a cost of R29 000.
- Nine emerging leaders from various properties within the portfolio completed a 15-month management development programme through the International Hotel School and the American Hotel and Lodging Educational institute at a cost of R180 000, which was expensed in the 2016 financial year.
- A finance bursary was awarded through the Institute of Accredited Bookkeepers at a cost of R60 000, for the completion a Junior Bookkeeping learnership.

The group has reduced its impact on natural resources, having in prior years implemented various water and energy-saving programmes across its property portfolio. These include the installation of aerators in taps to reduce the cost of water and the usage of grey water for irrigation purposes. The installation of solar panels, LED globes and occupancy sensors has reduced the cost and usage of energy. The installation of reverse osmosis plants to produce potable water is being investigated at selected Cape Town hotels. Usage of energy and natural resources is monitored and managed by the tenants and/or hotel management companies.

Healthy stakeholder relationships remain a vital contributor to the successful implementation of the Company's strategies and achievement of its objectives. Communication with its employees, shareholders and stakeholders is open and honest and without prejudice. Communication is underpinned by the group's code of ethics, code of conduct and disclosure of information policies.

Hospitality promotes a culture that supports enterprise and innovation, with appropriate short and long-term rewards that are fair and achievable. An employee wellness programme is available to staff, free of any cost, for bereavement counselling, financial guidance, legal advice and mentoring, amongst other matters.

The committee receives quarterly feedback on the status of Hospitality's BBBEE strategy. The Company improved its BBBEE rating from level 4 to level 1, due to the strong BBBEE credentials of its majority shareholder. The committee reviews compliance at hotel level with the Broad-Based Black Economic Empowerment Act, No 53 of 2003 and the resultant achievement of suitable BBBEE ratings, to maintain existing and secure new business.

Hospitality focuses on developing its future leaders and providing basic hospitality skills. Hospitality now has access to the extended training initiatives and offerings of its majority shareholder Tsogo Sun. The Company continues to partner with Cape Legends Inter Hotel Challenge along with Showcook, to develop the talent of chefs and sommeliers in the hospitality industry. Hospitality awarded a bursary for the most promising chef in this challenge, in the form of an online management programme with International Hotel School at a cost of R20 000.

The committee has executed its responsibilities as set out in the Companies Act and in terms of its written terms of reference. During the reporting period, the committee is not aware of any incidences of non-compliance with legislation and/or regulations.



# Notice of annual general meeting of shareholders

## Hospitality Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE share code: HPB

ISIN: ZAE000214656

(Approved as a REIT by the JSE Limited)

(‘Hospitality’ or ‘the Company’)

Notice is hereby given to shareholders of the Company that the annual general meeting (‘AGM’) of the Company will be held at Crowne Plaza Johannesburg – The Rosebank, corner Tyrwhitt and Sturdee Avenues, Rosebank on Thursday, 19 October 2017 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, No 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

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’ licences and passports.

## Record dates

In terms of sections 59(1)(a) and (b) of the Companies Act, the directors have determined that the date on which a shareholder must be registered in the company’s register of shareholders in order to:

- receive notice of the AGM is Friday, 15 September 2017; and
- participate in and vote at the AGM is Friday, 13 October 2017.

The last day to trade in order to be registered in the Company’s register of shareholders to be able to participate in and vote at the AGM will therefore be Tuesday, 10 October 2017.

## 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 shareholders, 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.

1. **Ordinary resolution number 1: Receipt and adoption of annual financial statements and reports**  
“Resolved that 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 period ended 31 March 2017 be and is hereby adopted”.

The Company’s social and ethics report, which deals with matters within its mandate, is included on page 18. Any specific questions to the social and ethics committee may be addressed to the Company Secretary prior to the meeting at [rosao@hpf.co.za](mailto:rosao@hpf.co.za).

2. **Ordinary resolution number 2: Election and re-election of the Company’s directors by separate resolutions**

### 2.1 Ordinary resolution number 2.1

“Resolved that Mr DG Bowden, an independent non-executive director of the Company, 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.”

### 2.2 Ordinary resolution number 2.2

“Resolved that Mrs ZJ Kganyago, a non-executive director of the Company, 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.”

### 2.3 Ordinary resolution number 2.3

“Resolved that Mrs L McDonald, a non-executive director of the Company, 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.”

### 2.4 Ordinary resolution number 2.4

“Resolved that Mr GA Nelson, an independent non-executive director of the Company, 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.”

### 2.5 Ordinary resolution number 2.5

“Resolved that Mrs L de Beer, an independent non-executive director of the Company, 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.”

## 2.6 Ordinary resolution number 2.6

"Resolved that Mr SA Halliday, an independent non-executive director of the Company, 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."

## 2.7 Ordinary resolution number 2.7

"Resolved that Mr J Booyesen, who was appointed by the board to serve as a director with effect from 8 June 2017 and who is eligible and available for election is elected as a non-executive director of the Company."

## 2.8 Ordinary resolution number 2.8

"Resolved that Mrs M de Lima, who was appointed by the board to serve as the financial director of the Company, with effect from 30 September 2016 and who is eligible and available for election is elected as an executive director of the Company."

## 2.9 Ordinary resolution number 2.9

"Resolved that Mr KG Randall, who was appointed by the board to serve as the chief executive officer and a director with effect from 1 January 2017 and who is eligible and available for election is elected as an executive director of the Company."

### ***Reason for ordinary resolution numbers 2.1 to 2.9: Election and re-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. In addition, any director who is 70 years or older shall retire annually and any director appointed by the board, must be approved by the shareholders at the next annual general meeting.

It is noted that:

- Mr R Erasmus held the role of acting chief financial officer from August 2015 to 30 September 2017. Mrs M de Lima was appointed as financial director with effect from 30 September 2016;
- Mr VM Joyner's termination as chief executive officer and a member of the board of Hospitality became effective from 31 December 2016. Mr KG Randall was appointed as chief executive officer from 1 January 2017.
- Mr MN von Aulock resigned as a non-executive director and Mr J Booyesen was appointed as a non-executive director with effect from 1 June 2017 and 8 June 2017, respectively.
- Mr WC Ross advised that he intended to retire from the board of directors of the Company and as such will not be offering himself for re-election, following his retirement by rotation in terms of the Memorandum of Incorporation.

Abridged curricula vitae of each of the directors standing for election and re-election appears on pages 10 and 11. The Board (assisted by the nomination committee) recommend the election and re-election of these directors.

## 3. Ordinary resolution number 3: Re-appointment of the external auditor

"Resolved that PricewaterhouseCoopers Inc. be re-appointed as independent external auditor of the Company (to report on the financial year ending 31 March 2018)."

### ***Reason for ordinary resolution number 3: Re-appointment of external auditor***

PricewaterhouseCoopers Inc. ('PWC') has indicated its willingness to continue in office and ordinary resolution number 3 proposes that PWC (with the designated auditor being Victor Muyuto) be re-appointed as the Company's independent external auditor.

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. The Company's audit and risk committee has considered PWC's independence in accordance with the Companies Act and is satisfied that PWC is independent as contemplated by the Companies Act and the applicable rules of the International Federation of Accountants ('IFAC'). The audit and risk committee therefore recommended PWC's appointment as the registered external auditor of the Company, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

Furthermore, the Company's audit and risk committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that PWC, the reporting accountant and individual auditor, are accredited and appear on the JSE List of Accredited Auditors in compliance with section 22 of the JSE Listings Requirements.

## 4. Ordinary resolution number 4: Election of the members of the audit and risk committee by separate resolutions

### **4.1 Ordinary resolution number 4.1: Re-election of Mrs L de Beer as the Chairman of the audit and risk committee**

"Resolved that Mrs L de Beer, being an independent, non-executive director of the Company, be re-elected as a member and Chairman 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), subject to her re-election as a director in terms of resolution 2.5."

## Notice of annual general meeting of shareholders continued

### **4.2 Ordinary resolution number 4.2: Election of Mr DG Bowden as a member of the audit and risk committee**

"Resolved that Mr DG Bowden, 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), subject to his re-election as a director in terms of resolution 2.1."

### **4.3 Ordinary resolution number 4.3: Re-election of Mr SA Halliday as a member of the audit and risk committee**

"Resolved that Mr SA Halliday, being an independent, non-executive director of the Company, be re-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), subject to his re-election as a director in terms of ordinary resolution number 2.6."

### **4.4 Ordinary resolution number 4.4: Re-election of Mrs ZN Malinga as a member of the audit and risk committee**

"Resolved that Mrs ZN Malinga, being an independent, non-executive director of the Company, be re-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)."

#### ***Reason for ordinary resolution numbers 4.1 to 4.4: Election of the members of the audit and risk committee***

In terms of the Companies Act and the King Report on Governance for South Africa 2016 ('King IV') 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.

The Company'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 Company's audit and risk committee, recommends their election to shareholders.

## **5. Ordinary resolution number 5: General authority to directors to allot and issue authorised but unissued shares**

"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 ordinary shares in the Company to such person(s) and upon such terms and conditions as the directors may determine, on the following bases:

- 5.1 the directors may allot and issue the authorised but unissued ordinary 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.
- 5.2 the directors are not authorised to issue more ordinary shares in aggregate in any one financial year than such number of ordinary shares that constitute 10% of 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).
- 5.3 the maximum discount at which ordinary shares may be issued in terms of this authority is 5% of the weighted average trade price on the JSE of the ordinary shares measured over the three or 30 business days prior to the date that the issue 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 three days prior to the date of issue.
- 5.4 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 5: General authority to directors to allot and issue authorised but unissued shares***

In terms of the Company's Memorandum of Incorporation, read with the JSE Listings Requirements, shareholders may authorise the directors to allot and issue authorised but unissued shares as the directors in their discretion think fit, but at all times subject to the Companies Act.

The number of shares to be allotted and issued 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 for the acquisition of property or shares in a Company owning property, puts the Company in an advantageous position at the time of negotiations.

## 6. Non-binding advisory endorsement of the remuneration policy

"To endorse, through a non-binding advisory vote, the Company's remuneration policy as set out on pages 14 and 15."

### **Reason for endorsement of the remuneration policy**

In terms of King IV recommendations, the Company's remuneration policy should be tabled 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 by the Company.

## 7. Non-binding advisory endorsement of the implementation report

"To endorse, through a non-binding advisory vote, the Company's implementation report with regard to the remuneration of executive directors as set out on pages 15 and 16."

### **Reason for endorsement of the remuneration implementation report**

In terms of King IV recommendations, the Company's remuneration implementation report should be tabled 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 Company's remuneration implementation report on remuneration of executive directors.

## 8. Special resolution number 1: Non-executive directors' remuneration for the period 1 April 2018 to 31 March 2019

At the Company's AGM held on 22 November 2016, shareholders approved a maximum increase of 8% to the remuneration of non-executive directors of the Company, for their services as directors, for the period 1 April 2017 to 31 March 2018, subject to board approval. The board, on recommendation by the remuneration committee, agreed a 6.5% inflationary increase for the period 1 April 2017 to 31 March 2018, except for the chairman of the audit and risk committee, whose remuneration was increased by 8%, due to her additional responsibilities as the lead independent director.

	<b>Chairman Rand</b>	<b>Member Rand</b>
Fees for the period 1 April 2017 to 31 March 2018		
Board (per annum)	<b>362 377</b>	<b>241 585</b>
Audit and risk committee (per annum)	<b>159 242</b>	<b>96 634</b>
Nomination committee (per meeting, assuming two per annum)	<b>15 702</b>	<b>13 287</b>
Remuneration committee (per meeting, assuming two per annum)	<b>15 702</b>	<b>13 287</b>
Social and ethics committee (per annum)	<b>51 907</b>	<b>41 070</b>

The above remuneration excludes value added tax, which will be added by the directors in terms of current value added tax legislation in South Africa, if applicable.

Approval is now sought for the board to increase non-executive directors' fees for the period 1 April 2018 to 31 March 2019, within a specific mandate.

"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 April 2018 to 31 March 2019, unless amended by a special resolution of shareholders, be equal to the non-executive directors' remuneration for the period 1 April 2017 to 31 March 2018 (as set out above), escalated as approved by the board of the Company, up to a maximum of 8%."

### **Reason for special resolution number 1: Non-executive directors' remuneration for the period 1 April 2018 to 31 March 2019**

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 April 2018 to 31 March 2019 in accordance with section 66(8) and 66(9) of the Companies Act.

## 9. Special resolution number 2: 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 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

## Notice of annual general meeting of shareholders continued

of any option or any shares issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any shares 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 2018.”

### 10. Special resolution number 3: 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 Company group, or to any trust or other entity established by the Company to facilitate an incentive scheme for qualifying employees of the Company group, for the purpose of, or in connection with, the subscription of any option, or any shares, issued or to be issued by the Company or a related or inter-related Company or entity, or for the purchase of any shares 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 2018.”

#### ***Reasons for special resolutions numbers 2 and 3: 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***

The Company requires 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 the Company to provide financial assistance to related or inter-related companies and entities to subscribe for options or shares or purchase shares of the Company or another Company related or inter-related to it. Under sections 44 and 45 of the Companies Act, the Company 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 the Company’s related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolutions numbers 2 and 3.

### 11. Special resolution number 4: General authority to acquire shares

“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, ordinary shares 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 on the following bases:

- repurchases of shares must be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of shares in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 20% of the Company’s issued share capital as at the commencement date of such financial year or 10% where the purchase is effected by a subsidiary;
- repurchases of ordinary shares may not be made at a price greater than 10% above the weighted average of the market value of ordinary 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 shares have not traded in such a five-business day period;
- repurchases of ordinary shares 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 ordinary shares to be traded are fixed (not subject to any variation) and full details of the programme have been disclosed in writing to the JSE prior to the commencement of the prohibited period;
- 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 ordinary shares, which constitute 3% of the number of ordinary shares in issue (at the time that this authority from shareholders for the repurchase was granted), and for each 3% in aggregate of such number of ordinary shares purchased or repurchased, as the case may be, thereafter;
- this general authority shall be valid only until the next AGM of the Company to be held in 2018, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;

- at any point in time, the Company may only appoint one agent to effect any repurchases on the Company's behalf;
- the number of ordinary shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company at the relevant times;
- no voting rights attached to ordinary shares acquired by the Company's subsidiaries may be exercised while the ordinary shares are held by them and they remain subsidiaries of the Company;
- 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 ordinary shares and that since the test was done there have been no material changes to the financial position of the group; and
- any such general repurchase will be subject to Exchange Control Regulations."

#### ***Reason for special resolution number 4: General authority to acquire shares***

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.

Having considered the effect of acquisition of the Company's shares up to a maximum limit, the directors of the Company are of the opinion that, if such acquisitions were implemented:

- 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;
- 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 31 March 2017 which comply with the Companies Act;
- 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
- 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 Requirements**

The following additional information, some of which may appear elsewhere in the integrated annual report is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Major shareholders – page 12 of this notice.
- Share capital of the Company – Authorised – 2000 000 000 ordinary shares of no par value
  - Issued – 578 154 207 ordinary shares of no par value.

#### **Directors' responsibility statement**

The directors, 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.

#### **Material change statement**

As at Friday, 15 September 2017, being the last practicable date before the finalisation of this notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred between 31 March 2017 and 15 September 2017 other than the facts and developments as reported on in the integrated annual report of the Company for the financial year ended 31 March 2017.

#### **Electronic participation**

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the Company Secretary at [rosao@hpf.co.za](mailto:rosao@hpf.co.za) or to the registered address of the Company, to be received by the Company Secretary at least seven business days prior to the meeting, being Wednesday, 11 October 2017. Such application should include relevant contact details, including an email address, cellular number, and landline number, as well as full details of the shareholder's title to shares

## Notice of annual general meeting of shareholders continued

issued by the company and proof of identity, in the form of certified copies of identity document and share certificates (in the case of certificated shares) and (in the case of dematerialised shares) written confirmation from the shareholder's Central Securities Depository Participant ('CSDP') confirming the shareholders' title to the dematerialised shares.

Shareholders who wish to participate in the AGM by electronic participation must note that they will not be able to vote by way of electronic participation. Such shareholders, should they wish to have their vote counted must, to the extent applicable, complete the form of proxy or contact their CSDP or broker.

### ***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 sub-register in dematerialised electronic form with "own name" registration.

For administrative purposes, the completed forms of proxy should reach the transfer secretaries, Computershare Investor Services Proprietary Limited by no later than 10:00 on Tuesday, 17 October 2017. 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 transfer secretary 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 or with the transfer secretaries at 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.

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.

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 Proprietary Limited  
Company Secretary*

20 September 2017

# Form of proxy

Hospitality Property Fund Limited  
 (Incorporated in the Republic of South Africa)  
 (Registration number 2005/014211/06)  
 Share code for ordinary shares: HPB  
 ISIN: ZAE000214656  
 (Approved as a REIT by the JSE Limited)  
 ('Hospitality' or 'the Company')

This form of proxy is for use by shareholders registered as such who hold certificated shares in the Company and shareholders who hold 'own-name' dematerialised shares in the Company, to appoint a proxy or proxies for the AGM of the Company to be held at 10:00 on Wednesday, 19 October 2017 at the Crowne Plaza Johannesburg – The Rosebank, Cnr Tyrwhitt and Sturdee Avenues, Rosebank or any adjournment or postponement thereof.

Shareholders who have dematerialised their shares in the Company and do not have 'own-name' registration, must inform their Central Securities Depository Participant ('CSDP') or broker if they wish to attend the AGM in person and must request their CSDP or broker to issue them with the necessary letters of representation authorising them to attend in person, alternatively, they must provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person. Such dematerialised shareholders must not return this form of proxy to the transfer secretaries.

It is recommended that forms of proxy should be completed and delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, to be received by no later than 10:00 on Tuesday, 17 October 2017. The chairman of the annual general meeting may, in his discretion, accept forms of proxy handed to him prior to the commencement of the annual general meeting.

I/We (name/s in BLOCK LETTERS)

of

(address)

being the registered holder/s of

ordinary shares, 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 ordinary share registered in my/our name/s, as follows:

Resolutions	For	Against	Abstain
Ordinary resolution number 1: Receipt and adoption of annual financial statements and report			
Ordinary resolution number 2.1: Re-election of Mr DG Bowden as a director			
Ordinary resolution number 2.2: Re-election of Mrs ZJ Kganyago as a director			
Ordinary resolution number 2.3: Re-election of Mrs L McDonald as a director			
Ordinary resolution number 2.4: Re-election of Mr GA Nelson as a director			
Ordinary resolution number 2.5: Re-election of Mrs L de Beer as a director			
Ordinary resolution number 2.6: Re-election of Mr SA Halliday as a director			
Ordinary resolution number 2.7: Election of Mr J Booysen as a director			
Ordinary resolution number 2.8: Election of Mrs M de Lima as a director			
Ordinary resolution number 2.9: Election of Mr KG Randall as a director			
Ordinary resolution number 3: Reappointment of the external auditor			
Ordinary resolution number 4.1: Re-election of Mrs L de Beer to the audit and risk committee			
Ordinary resolution number 4.2: Re-election of Mr DG Bowden to the audit and risk committee			
Ordinary resolution number 4.3: Re-election of Mr SA Halliday to the audit and risk committee			
Ordinary resolution number 4.4: Re-election of Mrs ZN Malinga to the audit and risk committee			
Ordinary resolution number 5: General authority to directors to allot and issue shares			
Advisory endorsement 1: non-binding advisory endorsement of the remuneration policy			
Advisory endorsement 2: non-binding advisory endorsement of the implementation policy			
Special resolution number 1: Approval of non-executive directors' remuneration			
Special resolution number 2: Financial assistance to subsidiaries and other related and inter-related entities in terms of sections 44 and 45 of the Companies Act			
Special resolution number 3: 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			
Special resolution number 4: General authority to acquire shares			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2017

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 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 insert of an "X" in the appropriate box next to the resolution (i.e. 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. Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Computershare Investor Services Proprietary Limited, the transfer secretaries of the Company. It is recommended that such form of proxy be lodged with the transfer secretaries, by 10:00 on Tuesday, 17 October 2017.

# Corporate information

## Company Secretary

L R van Onselen

## Registered office

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

## Commercial bankers

### Nedbank Limited

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

## Trustees to note holders

### TMF Corporate Services (South Africa) Proprietary Limited

(Registration number: 2006/013631/07)  
3rd Floor, 200 on Main  
cnr Main and Bowwood Roads  
Claremont, Cape Town, 7708  
(Postnet Suite 294, Private Bag X1005, Claremont, 7735)

## Independent auditors

### PricewaterhouseCoopers Inc.

(Registration number: 1998/012055/21)  
2 Eglin Road  
Sunninghill, Johannesburg, 2157  
(Private Bag X36, Sunninghill, 2157)

## Sponsor and corporate adviser

### Java Capital

6A Sandown Valley Crescent  
Sandton, Johannesburg, 2196  
(PO Box 2087, Parklands, 2121)

## Transfer secretaries

### Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, Johannesburg, 2196  
(PO Box 61051, Marshalltown, 2107)

## Attorneys

### Shapiro-Aarons Inc.

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

### Nortons Inc.

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

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