Hospitality PROPERTY FUND

Hospitality Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/014211/06)
Share code for A-linked units: HPA ISIN for A-linked units: ZAE000076790
Share code for B-linked units: HPB ISIN for B-linked units: ZAE000076808
Income tax reference number: 9770/799/1/47
("Hospitality" or "the Fund" or "the company")

Reviewed Results for the year ended **30 June 2014** and distribution declaration

Comments

1. Introduction

Hospitality is the only Specialised Real Estate Investment Trust ("REIT") listed on the JSE that offers investors an investment vehicle in the hospitality sector through the ownership of a portfolio of hotel and leisure properties.

The Fund benefited from a buoyant hospitality sector, once again returning strong distribution growth of 14,5% per combined linked unit on the prior year and exceeded the forecast set out in the December 2013 results announcement by 0,5% ("forecast"). The A-linked unit distribution grew by 5,0% to 141,35 cents, in line with the Fund's distribution structure and the forecast. Distribution on the B-linked unit showed an increase of 85,0% to 33,45 cents compared to the previous year and exceeding the forecast by 2,6%. The Fund's focus on increasing its exposure to large hotel properties in major metropolitan areas is paying off, with growing business travel demand in these nodes. Its properties in Cape Town and Sandton continue to perform well, in particular The Westin Cape Town, the Radisson Blu Waterfront and the Radisson Blu Gautrain Hotel. In line with the Fund's strategy to constantly enhance the quality of core properties to sustain their performance, it continually invests to improve the facilities at these hotels. Selective refurbishments were also carried out at certain properties in the Fund's portfolio in order to maintain their appeal and ensure sustainable rental income streams.

Reflecting Hospitality's proactive asset management strategy, the Fund also introduced new hotel operators at the Mount Grace Country House and Spa ("Mount Grace") and the Kopanong Hotel & Conference Centre ("Kopanong"), and is working with these new managers to reposition the hotels to achieve Hospitality's required returns.

2. Trading environment

According to the STR Global South Africa Hotel Review, the hotel industry reported a year-on-year increase in occupancy of 1,4% to 62,3% and average room rates ("ARR") were up 9,6% to R1,001, resulting in revenue per available room ("RevPAR") growth of 11,1% for the year ended 30 June 2014. The Fund's trading figures for that portion of its portfolio which is subject to variable rental income and excluding conference hotels (hotels where the revenue generated from conferencing exceeds rooms revenue) outperformed the broader industry, with an overall occupancy of 61.4% (2013: 60,1%). Its overall ARR growth of 14,0% to R1,162 and RevPar growth of 16,5% was well ahead of the industry.

The consistent RevPAR growth confirmed the recovery trend that has benefited the industry since October 2011. With demand for hotel accommodation continuing to increase and limited creation of additional room stock, demand pull is driving room rate growth.

Insofar as the Fund's fixed lease properties are concerned, management constantly monitors and interacts with its tenants in order to maintain a full understanding of their underlying business performance and evaluate the serviceability of rentals. During the year, the Fund's asset management team was bolstered to ensure it has the capacity to effectively support the hotel operators in optimising the performance of their properties.

3. Results

The Fund reported solid rental income growth of 19,6% to R426,2 million (2013: R356,3 million). Like-for-like rental income growth for the portfolio's properties subject to variable rental income (excluding Radisson Blu Gautrain Hotel which was acquired in May 2013 and Kopanong which was previously on a fixed lease) was 13,3%, driven mainly by the higher ARR achieved by the Fund. RevPAR was boosted in December 2013 as many foreign dignitaries travelled to South Africa to pay tribute to late President Nelson Mandela. The average rental increase of only 4,2% on the fixed lease portion of the portfolio, including a 3% escalation in the rental at Birchwood Hotel and OR Tambo Conference Centre ("Birchwood"), (contributing 19,7% of total current rental income) dampened overall rental income growth. Strong demand in Sandton and Cape Town, where the Fund has several well-located properties, underpinned the Fund's growth. While trading conditions in the first nine months of the year were buoyant and demand trended consistently higher, the timing of public holidays and National Elections in April and May 2014 dampened Hospitality's business and conferencing income streams in the last three months of the financial year. After changing hotel operators from 1 December 2013 at Mount Grace (due to lost market share) and at Kopanong (tenant placed in business rescue and defaulted on lease payments) the performance of these properties is yet to recover to the level required by the Fund. Accordingly, Hospitality is restructuring and repositioning these properties with the operators to improve returns.

Fund expenses increased by R10,6 million (35,6%) to R40,5 million (2013: R29,9 million) with the major contributors being:

- An early repayment penalty of R4,9 million that was paid to Absa Bank ("Absa") in the second half of the year after the Fund's R550 million facility with Absa was repaid with proceeds from the domestic medium–term note ("DMTN") programme and an additional facility from Nedbank.
- Debt raising fees of R1,9 million in respect of the Absa term loans which were being amortised over the original loan period that were expensed in the second half of the year;
- Higher employee costs following the recruitment of additional specialist skills to enhance the Fund's capacity to effectively manage its growing portfolio and the increasing proportion of fixed and variable leases.
- Expenses benefitted from a net bad debt recovery of R1.5 million. R5,7 million was recovered in the second half of the year from the previous tenant at Kopanong after raising a provision of R4.2 million in the first six months of the year.

Net finance costs increased 10,6% to R146,3 million (2013: R132,3 million), in line with higher debt levels after funding the acquisition of the Radisson Blu Gautrain Hotel with the DMTN programme. The 50 basis point interest rate hike late in the period had a marginal impact.

Distributable earnings per combined linked unit grew by 14,5% to 174,80 cents (2013: 152,71 cents), and exceeded the forecast of 173,96 cents by 0,5%. The A-linked unit distribution of 141,35 cents (2013: 134,63 cents) showed a 5,0% increase, and was in line with forecast. The reported distribution of the B-linked unit grew 85,0% to 33,45 cents (2013: 18,08 cents), exceeding the forecast by 2,6%.

The following table reflects the operating financial results for the year ended 30 June 2014 compared to the previous financial year:

	2014 (R'000)	2013 (R'000)	Variance (R'000)	Variance (%)
Contractual rental	**426 276**	356 337	69 939	19,6
Profit on sale of properties	**–**	948	(948)	(100,0)
Fund expenses	**(40 524)**	(29 878)	(10 646)	(35,6)
Net finance costs	**(146 326)**	(132 320)	(14 006)	(10,6)
Taxation	**(181)**	(1 158)	977	84,4
Income from associates	**238**	125	113	90,4
	(239 483)	(194 054)	(45 429)	(23,4)
Debenture interest	**(240 014)**	(200 184)	(39 830)	(19,9)
Recoupment of debenture interest	**531**	6 130	(5 599)	(91,3)
Number of linked units	**138 150**	137 238	912	0,7
Distribution – A-linked unit (cents)	**141,35**	134,63	6,72	5,0
– Interim	**69,83**	66,51	3,32	5,0
– Final	**71,52**	68,12	3,40	5,0
Distribution – B-linked unit (cents)	**33,45**	18,08	15,37	85,0
– Interim	**19,25**	9,19	10,06	109,5
– Final	**14,20**	8,89	5,31	59,7
Combined distribution (cents)	**174,80**	152,71	22,09	14,5
– Interim	**89,08**	75,70	13,38	17,7
– Final	**85,72**	77,01	8,71	11,3

4. Funding and capital structure

The group's debt facilities with financial institutions as at 30 June 2014 amounted to R1,89 billion. Total funds drawn on these facilities were R1,77 billion resulting in a loan to value (LTV) ratio (total interest–bearing liabilities/investment properties plus properties held for sale) of 36,72% (2013: 34,4%). The interest cover ratio was 2,64 which is well within the minimum covenant level of 2,00 required by the debt providers.

The weighted average cost of borrowings was 9,14% (2013: 8,56%) for the period under review with 58% of the group's borrowings at year-end subject to fixed interest rates.

	Facility	**Interest rate**	**Repayment date**
Nedbank			
Loan 1	176 300 000	3-month JIBAR plus 2,9%	July 2015
Loan 2	400 000 000	3-month JIBAR plus 2,8%	Oct 2019
Loan 3	30 250 000	3-month JIBAR plus 2,85%	Oct 2018
Loan 4	150 000 000	3-month JIBAR plus 2,38%	Feb 2018
Loan 5	150 000 000	3-month JIBAR plus 2,84%	June 2016
Loan 6	50 000 000	3-month JIBAR plus 2,38%	Feb 2018
Loan 7	67 000 000	3-month JIBAR plus 2,38%	July 2018
	1 023 550 000		
Corporate bonds			
Secured – HPF 01	150 000 000	3-month JIBAR plus 1,82%	April 2016
Unsecured – HPF 02	40 000 000	3-month JIBAR plus 2,4%	April 2015
Unsecured – HPF 03	80 000 000	3-month JIBAR plus 2,7%	April 2016
Secured – HPF 04.1	300 000 000	3-month JIBAR plus 2,0%	Feb 2017
Secured – HPF 04.2	100 000 000	3-month JIBAR plus 2,0%	Feb 2017
Secured – HPF 05	200 000 000	Fixed at 9,89%	Feb 2017
	870 000 000		
	1 893 550 000		

SWAPS/FIXED

			Expiry
Nedbank swap 1	150 000 000	Collar swap – Floor 6.0%/Ceiling 9,09%	Sep 2016
Nedbank swap 2	150 000 000	Vanilla swap – 6,4%	Oct 2016
RMB swap 2	346 667 000	Vanilla swap – 7,96%	July 2016
RMB swap 3	250 000 000	Collar swap-Floor 6,65%/Ceiling 9,20%	Feb 2016
Secured – HPF 05	200 000 000	Fixed at 9,89%	Feb 2017
	1 096 667 000		

The Fund continually evaluates and plans the optimal method of funding new acquisitions and replacing debt with consideration given to the options of new unit issues, replacement of bank funding and the group's DMTN programme. When issuing new debt the group endeavours to optimally spread the maturity to minimise its exposure to large debt maturities in any single year.

In this regard the expiry profile was restructured in the first half of the period to provide an even expiry profile with limited concentration exposure.

Rand Merchant Bank ("RMB"), acting as arranger, successfully facilitated a R500 million secured note issue on 17 February 2014. The issue comprised R300 million floating rate notes at 3-month JIBAR plus 200bps and R200 million fixed rate notes at an interest rate of 9,89% for a three-year period. Nedbank also provided a new term loan of R50 million at 3-month JIBAR plus 238bps. The proceeds were utilised to repay all the facilities previously provided by Absa amounting to R550 million. This decision was taken due to the onerous conditions contained in the Absa loan agreement which was hampering business decisions. The Fund paid an early repayment penalty of R4,9 million to Absa and debt raising fees of R1,9 million which were being amortised over the loan period were expensed in the second half of the year. The two Absa swaps were also novated to RMB on 10 February 2014. The Fund thanks Nedbank, RMB, Bowman Gilfillan and investors in the note programme for their continued support and assistance in restructuring and enhancing the Fund's debt facilities.

The Fund's application to the JSE for REIT status was granted with effect from 1 July 2013 and it has until 1 July 2015 to convert the debentures to shares. The conversion is in progress and is expected to be completed by December 2014. In conjunction with this process, Deloitte & Touche Corporate Finance was appointed to conduct a review of the Fund's capital structure and a number of options are currently being explored.

5. Property portfolio

The Fund's portfolio comprises interests in 26 hotel and resort properties in South Africa. As at 30 June 2014, the carrying amount of the portfolio was R4,8 billion.

The net asset value (NAV) per linked unit as at 30 June 2014 was R11,40, an increase of 4,1% from 2013 primarily as a result of an increase in the valuation of the standing portfolio. The combined NAV of R22,80 is in line with the combined market value of the units at year end. The weighted average lease expiry period is 8,47 years.

African Pride Hotels (owned by Protea Hotels) took over as hotel manager at Mount Grace on 1 December 2013, positioning the property to regain lost market share by leveraging off Protea Hotels' global sales and marketing infrastructure, enabled with its recent acquisition by Marriott International. The Fund also concluded a new lease agreement with a subsidiary of African Hotels and Adventures ("AHA") (a division of Tourvest) for Kopanong on 1 December 2013. Through the extensive sales and marketing network that is available to AHA the performance of this property should improve.

In April 2014, the ownership of the Courtyard Cape Town property, 50:50 owned by the Fund and City Lodge, reverted to the University of Cape Town. The valuation of this property was fully written down to zero in June 2013 and no further impairment was raised in 2014.

6. Acquisitions and disposals

Increasing awareness of Hospitality's specialist hotel property investment focus is generating a constant flow of investment opportunities to the Fund, including new developments in major metropolitan nodes which have proven to be more robust than those located in outlying areas. Although no major acquisitions of new properties were finalised during the year, Hospitality has invested significant time and effort in evaluating a number of potential investments to deliver on its strategy of acquiring hotels that meet its investment criteria. The most recent acquisitions, being the Westin Cape Town (2011) and the Radisson Blu Gautrain Hotel (Gautrain Hotel) in Sandton (2013) have performed well and have become key assets that form part of the benchmark against which new acquisitions are evaluated.

The renegotiation agreement of the new fixed and variable lease at Birchwood will result in a reversion in net income of approximately R14 million in the 2015 financial year. The renegotiation included the investment by the Fund of a further R60 million in the property for the Terminal Convention Centre development, which is uniquely positioned to accommodate large conferences of approximately 2 000 delegates. Its scale and proximity to the OR Tambo International Airport and scale coupled with the 665 available rooms continue to differentiate this hotel from its competitors. In the year ahead, 167 rooms will also be renovated and repositioned to meet the growing demands of the corporate market.

The Fund has identified certain non-core properties, which do not meet its long-term investment criteria valued at R311,9 million, for disposal and continues to market these properties. These properties remain profitable and Hospitality is not under pressure to compromise on pricing.

7. Developments and capital projects

The Fund completed various refurbishment projects during the period, as follows:

- An upgrade at the Protea Hotel The Richards, located in Richards Bay, was completed with positive feedback from hotel customers.
- Completion of the Protea Hotel Hluhluwe and Safaris refurbishment, enabled the property to be effectively marketed to the improving foreign tourist market.
- The irrigation system of the world class Arabella Golf Course was upgraded during the year.

In 2015, capital projects amounting to R160 million are planned. These include:

- The upgrade of 167 rooms at the Birchwood as well as the addition of The Terminal Convention Centre.
- The construction of four new bedrooms and upgrades to the public areas at the Radisson Blu Gautrain Hotel.
- A refurbishment of the conferencing facilities and public areas at the Radisson Blu Waterfront which is currently underway.
- Construction of an outdoor swimming pool at The Westin Cape Town which will enhance the appeal of the hotel to the leisure market.
- Repositioning of Mount Grace with additional facilities to enhance its appeal to the family market.
- Refurbishment of the Courtyard Eastgate property (in conjunction with City Lodge) to maintain market share.

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

The Overstrand Municipality approved the rezoning application on the Phase 2 at Arabella Hotel and Spa in the first quarter of 2014. However, two environmental associations subsequently appealed this decision, and these will be processed by the Department of Environmental Affairs with the Minister of Environmental Affairs & Development Planning making the final decision. The Fund continues to monitor the situation closely and is engaging with all the relevant parties to reach a timeous resolution to this process. If the development rights are finally secured after the appeals process, the Fund will market this scheme with a view to realising a profit from the sales of 352 residential stands, to be classified as distributable income.

8. Liquidity

During the year, 26,6% of the A-linked units and 45,0% of the B-linked units were traded on the JSE Limited.

9. Board of directors

Changes to the board during the financial year were as follows:

- Ms Zola Ntwasa was appointed as Independent Non-Executive Director on 8 July 2013, she has an investment banking and property finance background.
- In line with the Fund's succession program, Mr Willy Ross stepped down as a member of the Audit and Risk Committee with effect from 1 April 2014, remaining on the Board as an independent non-executive director and retaining his position on the other Board committees.
- The Audit and Risk Committee remains fully constituted as required by the Companies Act No. 71 of 2008 with four independent non-executive members, being Mrs Linda de Beer (Chairman), Ms Zola Ntwasa, Messrs Kamil Abdul-Karrim and Syd Halliday.

10. Prospects

The long-term fundamentals for the hospitality industry remain positive, despite a slowdown in the recovery trend during the last three months of the financial year. Looking forward, an improving global economy and a weaker Rand could provide support for foreign visitors to the country, however, Hospitality is concerned that the more stringent travel regulations that the South African Department of Home Affairs is implementing could dampen growth within the tourist and the foreign conferencing markets. The Fund will also monitor the possible impact of the new Employment Equity Act on its hotel managers and tenants.

Recent reductions in GDP growth rates, increased labour demands and potential interest rate hikes are of concern but the Fund remains cautiously optimistic and expects its overall occupancies to remain stable and room rates in major centres to continue to show real growth.

The Fund continues to evaluate acquisition opportunities that meet its investment criteria and that are able to support and improve distribution growth.

For the year ending 30 June 2015, combined distributions are expected to increase by 4,0% on the prior year to 181,87 cents. A 5,0% growth on the prior year is forecast for the A-linked unit to 148,42 cents while the distribution per B-linked unit is expected to remain the same at 33,45 cents, relatively evenly split between the distribution periods. This forecast is based on achieving an occupancy of 64,8% and ARR of R1,248 for the Fund's portfolio excluding conference hotels. The forecast includes the expected impact of the Birchwood net income reversion of R14 million, which if excluded, will have resulted in an increase in the combined and B-linked unit distributions of 10,1% and 31,8% respectively. Finance costs are expected to increase, having forecast interest rate hikes of 100 bps over the year and additional debt-funded capital expenditure of R100 million. These forecasts have not been audited or reviewed by the Fund's auditor.

Hospitality's underlying performance for the 2016 financial year will be impacted by a renewal of the lease at Champagne Sports Resort ("Champagne"). Preliminary negotiations indicate a reversion in rental income of approximately 20% and also a requirement to refurbish the hotel in order to maintain market share.

No further rental income reversions are expected following the restructure of the Champagne lease.

Hospitality PROPERTY FUND

Continued . . .

11. Payments of distribution

Unitholders will receive distribution payment number 17 for the six-month period ended 30 June 2014 of 71,52 cents per A-linked unit and 14,20 cents per B-linked unit.

In accordance with Hospitality's status as a REIT, linked unitholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act").

The number of units in issue at the date of declaration is 140 197 778.

Local tax residents

Qualifying distributions received by local tax residents must be included in the gross income of such linked unitholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the linked unitholder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident linked unitholders, provided that the South African resident linked unitholders provided the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated linked units, or the company, in respect of certificated linked units:

(a) a declaration that the distribution is exempt from dividends tax; and

(b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Linked unitholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Non-residents

Qualifying distributions received by non-resident linked unitholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying distributions received by non-residents were not subject to dividend withholding tax. From 1 January 2014, any qualifying distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the linked unitholder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident unitholders will be 60,7920 cents per A-linked unit and 12,0700 cents per B-linked unit. A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident linked unitholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated linked units, or the company, in respect of certificated linked units:

(a) a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and

(b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident linked unitholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Unitholders are requested to seek professional advice on the appropriate action to take.

Last day to trade cum distribution	**Friday, 5 September 2014**
Linked units will trade ex-distribution	**Monday, 8 September 2014**
Record date	**Friday, 12 September 2014**
Payment date	**Monday, 15 September 2014**

Unitholders may not dematerialise or rematerialise their linked units between Monday,8 September and Friday, 12 September 2014 both days inclusive.

By order of the Board

D G Bowden
(Chairman)

A S Rogers
(Chief Executive Officer)

19 August 2014

Directors: D G Bowden (Chairman)*+, A S Rogers (CEO), K H Abdul-Karrim*+, R Asmal, L de Beer *+, SA Halliday *+, Z N Kubukeli*+, GA Nelson*, Z Ntwasa *+, WC Ross*+, A Soni*+

(*Non-Executive, +Independent)

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Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

20 August 2014

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These results were prepared by the Group Financial Manager, Mr R Erasmus CA(SA) under the supervision of the Financial Director; Mr R Asmal .

The condensed consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS34 Interim Financial Reporting. KPMG Inc, the independent auditor, has reviewed the financial statements and expressed an unqualified review opinion, which is available for inspection at Hospitality's registered office. The accounting policies applied are consistent with those applied in the previous years consolidated annual financial statements, with the exception of the adoption of new and revised standards which became effective during the year.

Web: www.hpf.co.za

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Reviewed 2014 R'000	Audited 2013 R'000
Revenue	423 174	356 042
Rental income – contractual	426 276	356 337
– straight-line accrual	(3 102)	(295)
Expenditure	(40 524)	(29 878)
Operating expenses	(40 524)	(29 878)
Operating profit	382 650	326 164
Transaction costs on business combinations	–	(1 975)
Profit on properties held for trading	–	948
Net finance cost	(146 041)	(132 320)
Finance income	4 371	1 819
Finance costs	(150 412)	(134 139)
Profit before debenture interest, goodwill, fair value adjustments and taxation	236 609	192 817
	(239 483)	(194 054)
Debenture interest	(240 014)	(200 184)
Recoupment of debenture interest	531	6 130
Loss before fair value adjustments, goodwill and taxation	(2 874)	(1 237)
Gain on bargain purchase	–	7 615
Fair value adjustments	116 275	199 356
Investment properties, before straight-lining adjustment	153 772	218 441
Straight-line rental income accrual	3 102	295
Total fair value of investment properties	156 874	218 736
Goodwill	(53 400)	(41 400)
Interest-rate swaps	12 801	22 020
Profit before taxation	113 401	205 734
Debenture discount amortisation	(7 480)	(5 635)
Equity accounted profit from associate after tax	238	126
Taxation	(181)	35 572
Total profit and comprehensive income for the year	105 978	235 797
Reconciliation between earnings, headline earnings and distributable earnings		
Total profit and comprehensive income for the year	105 978	235 797
Adjustments : Debenture interest	240 014	200 184
Profit (linked units)	345 992	435 981
Adjustments:		
Gain on bargain purchase	–	(7 615)
Goodwill impairment	53 400	41 400
Fair value – investment properties revaluation, net of tax	(153 772)	(255 172)
Fair value – straight-line rental income	(3 102)	(295)
Headline earnings (linked units)	242 518	214 299
Fair value – interest rate swaps	(12 801)	(22 020)
Transaction costs on business combinations	–	1 975
Debenture discount amortisation	7 480	5 635
HPF Employee Incentive Trust effects	(285)	–
Straight-line rental income	3 102	295
Distributable earnings	240 014	200 184
Number of units/shares		
A-linked unit	138 149 717	137 237 530
B-linked unit	136 180 007	137 237 530
– Units in issue	138 149 717	137 237 530
– HPF Employee Incentive Trust units	(1 969 710)	–
Weighted average number of units/shares		
A-linked unit	137 369 080	129 273 310
B-linked unit	136 225 029	129 273 310
– Units in issue	137 369 080	129 273 310
– HPF Employee Incentive Trust units	(1 144 051)	–
Distribution per linked unit (cents)		
A-linked unit	141,35	134,63
– Interim	69,83	66,51
– Final	71,52	68,12
B-linked unit	33,45	18,08
– Interim	19,25	9,19
– Final	14,20	8,89
	174,80	152,71
Profit/(loss) per linked units (cents)		
A-linked unit	126,46	168,63
B-linked unit	126,46	168,63
	252,92	337,26
Headline earnings per linked unit (cents)		
A-linked unit	88,64	82,89
B-linked unit	88,64	82,89
	177,28	165,78
Earnings per ordinary share (cents)	38,74	91,20

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Reviewed 2014 R'000	Audited 2013 R'000
Cash flows from operating activities		
Cash generated from operations	391 132	336 430
Finance income received	4 371	1 819
Finance costs paid	(150 412)	(134 139)
Taxation	(1 200)	(89)
Distribution to unitholders	(227 607)	(156 500)
Net cash inflow from operating activities	16 284	47 521
Cash flows from investing activities		
Acquisition and development of investment properties	(104 228)	(481 989)
Acquisition of properties held for trading	(827)	(728)
Acquisition of fixtures, furniture and equipment	(484)	(799)
Dividends received from associates	150	125
Net cash outflow from investing activities	(105 389)	(483 391)
Cash flows from financing activities		
Proceeds from the issue of linked units	18 985	274 974
Share issue expenses paid	(77)	(251)
Units acquired by HPF Incentive Trust	(9 995)	–
Interest-bearing liabilities raised	200 000	213 100
Net cash inflow from financing activities	208 913	487 823
Net increase in cash and cash equivalents	119 808	51 953
Cash and cash equivalents at beginning of year	67 395	15 442
Cash and cash equivalents at end of year	187 203	67 395

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2014

	Reviewed 2014 R '000	Audited 2013 R '000
ASSETS		
Non-current assets	4 536 393	4 324 662
Investment properties	4 514 950	4 246 848
Straight-line rent income accrual	1 050	4 152
Investment properties and related accrual	4 516 000	4 251 000
Furniture, fittings and equipment	942	899
Goodwill	19 200	72 600
Investment in associates	251	163
Current assets	577 725	448 263
Non-current assets held for sale	311 900	318 900
Properties held for trading	20 535	19 708
Trade and other receivables	58 087	42 260
Cash and cash equivalents	187 203	67 395
Total assets	5 114 118	4 772 925
EQUITY AND LIABILITIES		
Equity	801 847	690 752
Share capital and share premium	481 316	476 199
Retained earnings	13 289	73 884
Fair value reserve	307 242	140 669
Non-current liabilities	4 066 078	3 708 134
Debentures	2 325 186	2 314 441
Interest-bearing liabilities	1 732 627	1 372 627
Derivative liability	8 265	21 066
Current liabilities	246 193	374 039
Trade and other payables	87 917	67 151
Interest-bearing liabilities	40 000	200 000
Taxation	134	1 153
Debenture interest payable	118 142	105 735
Total equity and liabilities	5 114 118	4 772 925
Net asset value per linked unit (Rand)		
A-linked	11,40	10,95
B-linked	11,40	10,95

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Share capital R'000	Share premium R'000	Retained earnings R'000	Fair value reserve R'000	Total R'000
Balance at 30 June 2012	25	392 102	115 278	(136 522)	370 883
Profit/Total comprehensive profit for the year	–	–	235 797		235 797
Transactions with owners, recorded directly in equity	2	84 070	(277 191)	277 191	84 072
Issue of shares	2	84 321			84 323
Share issue expenses, net of tax		(251)			(251)
Transfer to fair value reserve – investment properties (net of deferred tax)			(255 171)	255 171	–
Transfer to fair value reserve – interest rate swaps			(22 020)	22 020	–
Balance at 30 June 2013	27	476 172	73 884	140 669	690 752
Profit/Total comprehensive income for the year	–	–	105 978		105 978
Transactions with owners, recorded directly in equity	–	5 117	(166 573)	166 573	5 117
Issue of shares	–	5 194	–	–	5 194
Share issue expenses, net of tax	–	(77)	–	–	(77)
Transfer to fair value reserve – investment properties	–	–	(153 772)	153 772	–
Transfer to fair value reserve – interest rate swaps	–	–	(12 801)	12 801	–
Balance at 30 June 2014	27	481 289	13 289	307 242	801 847

CONDENSED SEGMENTAL INFORMATION

for the year ended 30 June 2014

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

R'000	Fixed lease agreements	F & V lease agreements	Variable lease agreements	Head Office	Total of all operating segments
Statement of Comprehensive Income – 30 Jun 2014					
Segment revenue	121 091	281 028	24 144	13	426 276
Expenditure	–	–	–	(40 524)	(40 524)
Segment results	121 091	281 028	24 144	(40 511)	385 752
Statement of Comprehensive Income – 30 Jun 2013					
Segment revenue	124 756	214 107	17 474	–	356 337
Expenditure	–	–	–	(29 878)	(29 878)
Segment results	124 756	214 107	17 474	(29 878)	326 459
Statement of Financial Position – 30 June 2014					
Non-current assets					
Investment properties	969 000	3 235 000	312 000	–	4 516 000
Current assets					
Non-current assets held for sale	–	311 900	–	–	311 900
Trade and other receivables	–	4 220	76	53 791	58 087
Segment assets	969 000	3 551 120	312 076	53 791	4 885 987
Statement of Financial Position – 30 June 2013					
Non-current assets					
Investment properties	927 000	3 064 000	260 000	–	4 251 000
Current assets					
Non-current assets held for sale	79 000	239 900	–	–	318 900
Trade and other receivables	7 743	1 660	223	32 634	42 260
Segment assets	1 013 743	3 305 560	260 223	32 634	4 612 160