

## 2009 Annual Results Presentation

August 2009



## AGENDA

- Financial Highlights
- The Year in Review
- Linked Unit Performance
- Industry Trends
- Market Outlook
- Fund Strategy
- Distribution Time Frame



Crowne Plaza Johannesburg - The Rosebank

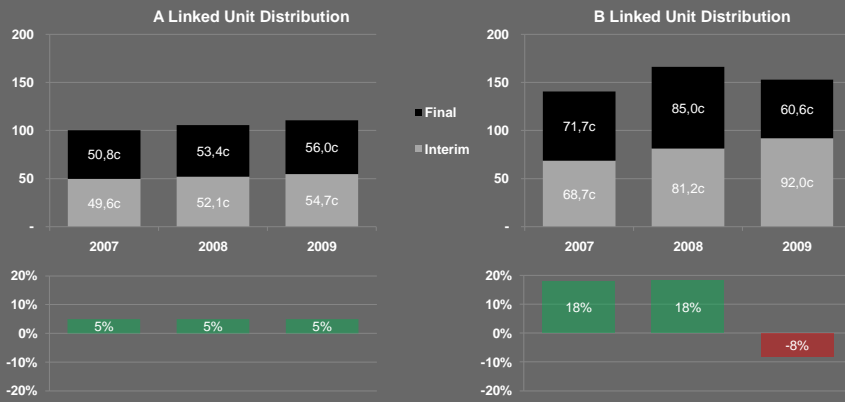
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## FINANCIAL HIGHLIGHTS

Year End June 2009



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*Hospitality*  
PROPERTY FUND

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## FINANCIAL HIGHLIGHTS

Year End June 2009

### Gross Rental Income

R 257 million  
▲ 31%

### Portfolio Value

R 3,40 billion  
▲ 48%

### Profit before Debenture Interest

R 162 million  
▲ 2%

### Gross Rental Income (Standing Portfolio\*)

R 184 million  
▲ 16%

### Property Valuation (Standing Portfolio\*)

R 1,97 billion  
▲ 12%

### Net Asset Value per Linked Unit \*\*

1 793 cents  
▲ 4%

\* Excl. refurbished and newly acquired properties  
\*\* NAV excl. deferred tax

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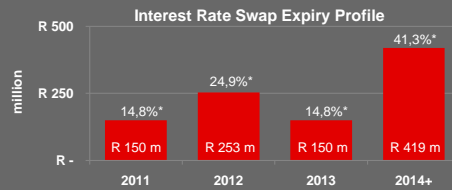
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## FINANCIAL HIGHLIGHTS

Year End June 2009

Gearing (% of asset value)	Weighted Average Cost of Debt
29,8%	10,2%
Average Lease Expiry	Average Fixed Lease Escalation
7,6 years	8,3%



\* As a % of debt outstanding at YE 2009

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Mount Grace Spa

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## THE YEAR IN REVIEW

Re-positioning the Portfolio for long term sustainable growth



Rosebank development completed



Holiday Inn Sandton - Rivonia Road acquired



Share in Champagne Sports Resort acquired



PH The Winkler development completed



Mount Grace Country House development completed



PH The Richards development completed



The Baysshore Inn development completed



Rebranding to Crowne Plaza Johannesburg - The Rosebank

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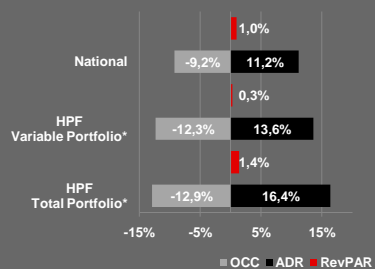
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## THE YEAR IN REVIEW

Stable performance in competitive market

- Significantly adverse market conditions in Q3 and Q4
  - Decrease in occupancies
  - Limited opportunity for room rate growth
- Additional market pressure as a result of new supply
- Re-launch of six refurbished portfolio properties
- Re-establishing market share post re-opening
- Performance of standing portfolio generally in line with SA hotel sector

Year-on-Year Growth



\* Portfolio excluding refurbished and newly acquired properties

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## THE YEAR IN REVIEW

### Review of business models

- Operations geared to suit market conditions
  - Overhead reductions and restructuring
  - Rationalised management and operational staffing structures
  - Focus on sustainable reduction in expenditure
- Renewed focus on what we can control
  - Dynamic revenue management
  - Powerful brands with strong distribution platforms
  - Retain and develop talented management teams

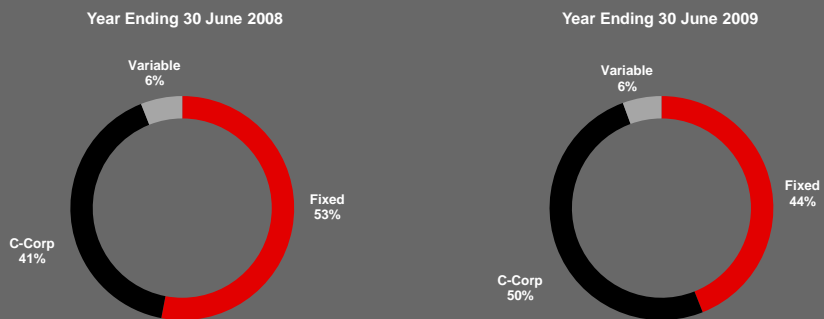
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## THE YEAR IN REVIEW

### Lease type by gross rental income



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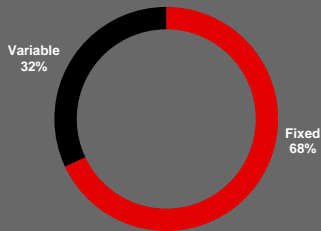
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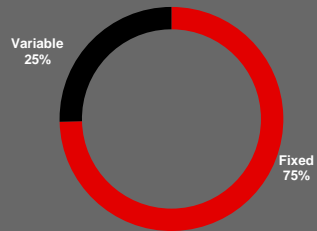
## THE YEAR IN REVIEW

Income type by gross rental income

Year Ending 30 June 2008



Year Ending 30 June 2009



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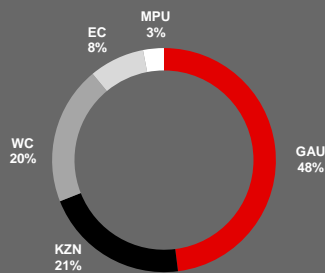
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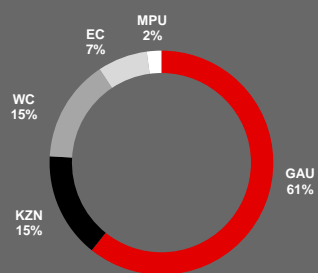
## THE YEAR IN REVIEW

Locality by gross rental income

Year Ending 30 June 2008



Year Ending 30 June 2009



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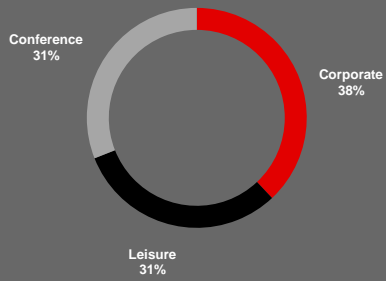
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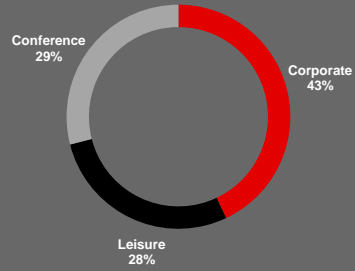
# THE YEAR IN REVIEW

## Patronage by market segment

Year Ending 30 June 2008



Year Ending 30 June 2009



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# THE YEAR IN REVIEW

## Patronage by source market

Year Ending 30 June 2008



Year Ending 30 June 2009



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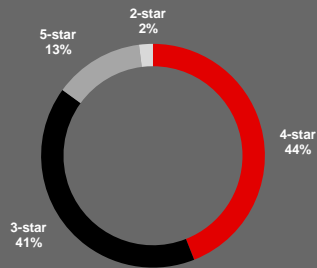
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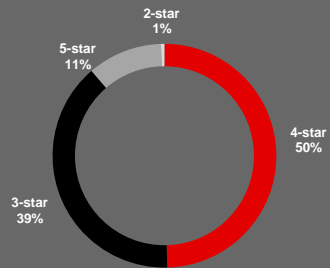
## THE YEAR IN REVIEW

Star grading by gross rental income

Year Ending 30 June 2008



Year Ending 30 June 2009



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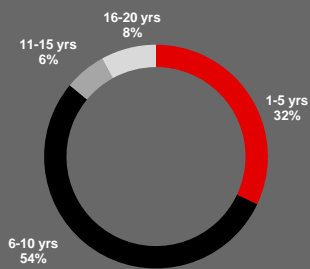
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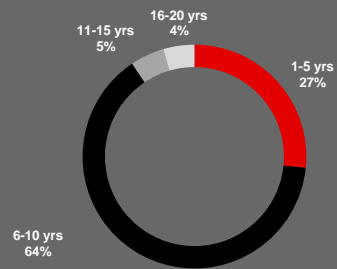
## THE YEAR IN REVIEW

Lease expiry period by gross rental income

Year Ending 30 June 2008



Year Ending 30 June 2009



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PH The Winkler Conference Centre

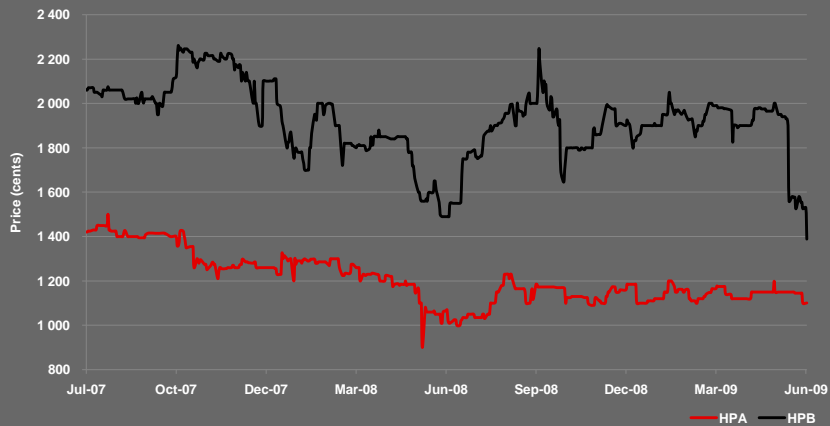
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## LINKED UNIT PERFORMANCE

Linked unit price performance



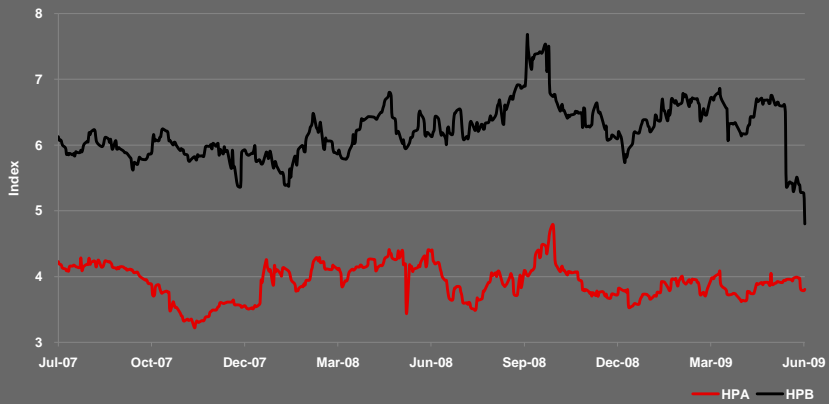
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## LINKED UNIT PERFORMANCE

Linked unit performance relative to Listed Property Sector



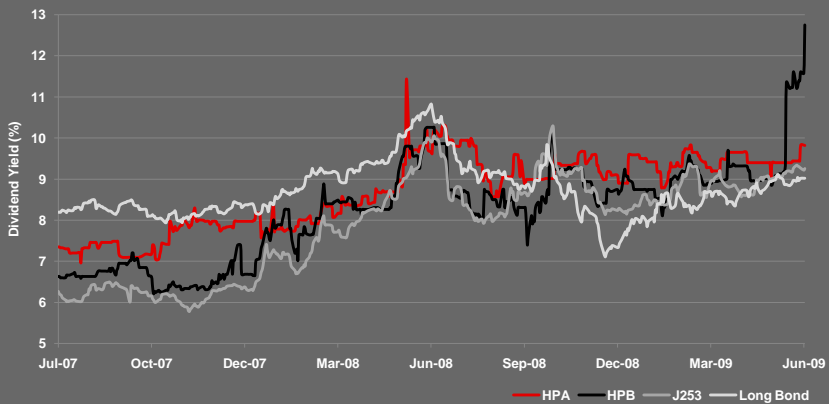
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## LINKED UNIT PERFORMANCE

Dividend yields vs. J253 and long bond



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The Bayshore Inn

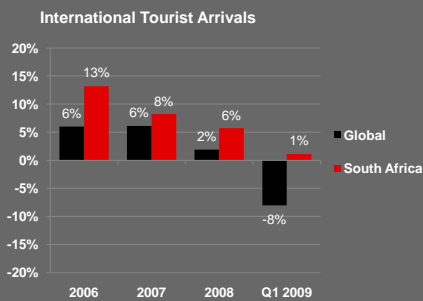
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## INDUSTRY TRENDS

### South African tourism market



Source: STATS SA & UNWTO  
\* 2008 Dollars  
\*\* Hospitality estimate

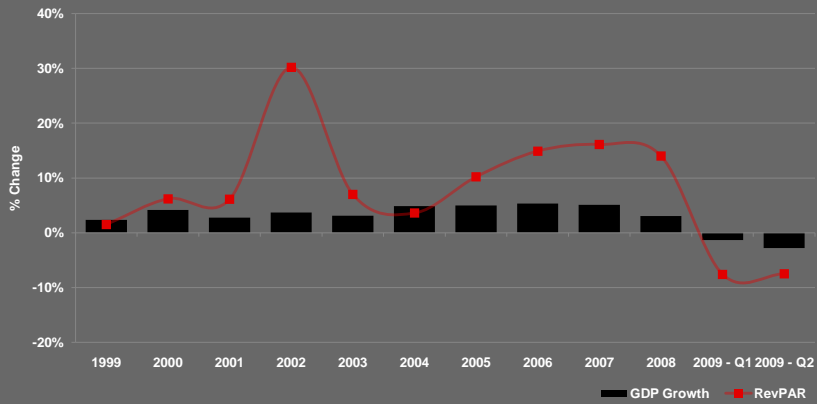
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## INDUSTRY TRENDS

### Real GDP and South Africa RevPAR growth rates



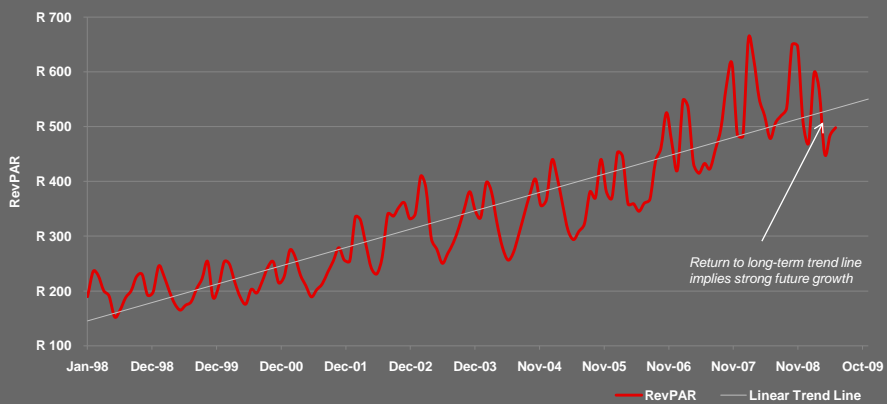
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## INDUSTRY TRENDS

### Reversal in national RevPAR drop



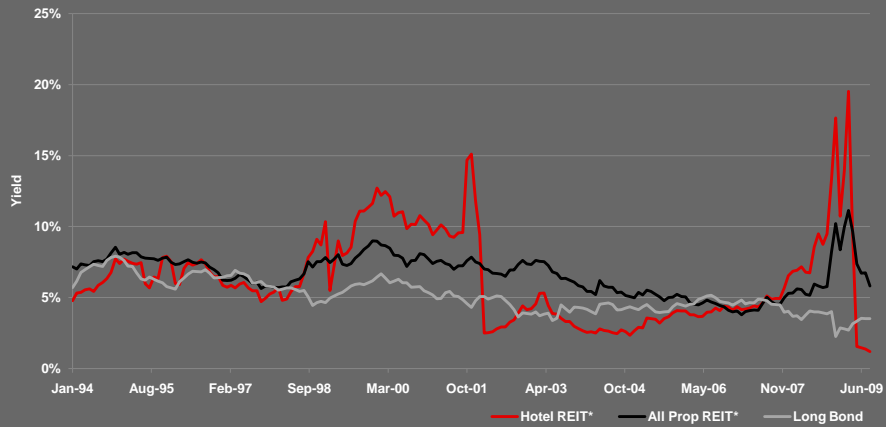
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## INDUSTRY TRENDS

United States - comparative dividend yields



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Holiday Inn Sandton - Rivonia Road

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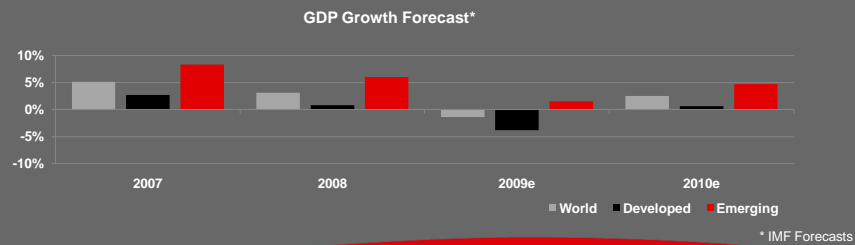
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## MARKET OUTLOOK

### Uncertain global economic outlook

- Fiscal and monetary policy response planted the seeds for recovery
- Leading indicators appear to indicate stabilising economies
- Marked improvement in Asian economic conditions
- Green shoots in US and EU economies
- Pace and extent of recovery remains unclear



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## MARKET OUTLOOK

### Domestic economic conditions

- SARB - strong monetary policy response
- Business confidence appears to be improving yet still comparatively low
- CPI and PPI moderating
- Impact of slowdown reduced by large scale public spending programs
- Consumer strain shifted from interest rates / inflation to jobs / household wealth
- Recent stabilisation in global economies should lead to stabilising local economy in 2H09

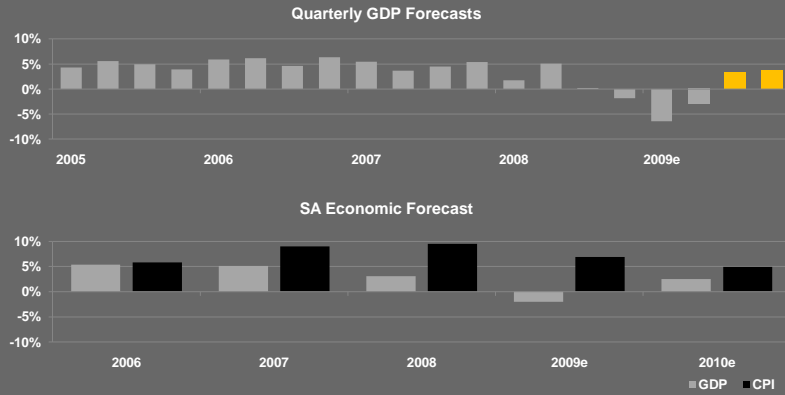
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## MARKET OUTLOOK

### Domestic economic projections



Sources: Stats SA & RMB Forecasts (7 Aug 09)

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## MARKET OUTLOOK

### SA tourism outlook

- SA demonstrated its ability to host major global events
- World Cup 2010 infrastructure development by and large on schedule
- Government conference demand returning to normal following elections
- Improving economic outlook bodes well for corporate and conferencing market
- Improving consumer confidence should lead to increased leisure travel

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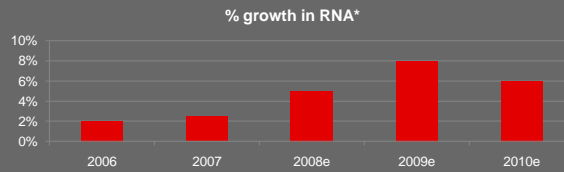
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## MARKET OUTLOOK

### Hotel market

- Significant growth in supply in certain key demand nodes
- Economic conditions have limited the potential for further supply growth
- Continued downward pressure on occupancies and room rates
- Mid-market hotels likely to benefit from expenditure rationalisation
- Pressure on developers/owners should result in attractive acquisition opportunities



\* Hospitality estimates

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PH The Richards

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## FUND STRATEGY

### Management company internalisation

- Fund intends to acquire and internalise HPF management company
- In line with local and international best practice
- Fund has reached critical mass to sustain internal management company
- Better alignment of the interest of key management with that of unitholders
- Retention of key skills and expertise
- Concessions secured in respect of C-Corp and Hospitality Hotel Management Company
- Yield and growth enhancing

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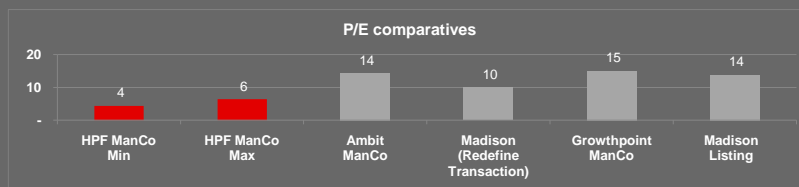


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## FUND STRATEGY

### Management company internalisation

- Negotiated initial purchase price of R123 million (option pricing approximately R180 million)
- Final pricing based on 4-year average call option valuation (max of R180 million + CPI)



- Shareholder circular and approval during September 2009 (implementation est. October 2009)
- Gerald Nelson to remain Fund CEO at least until June 2012
- Joseph Aminzadeh to focus on Hospitality Hotel Management Company as joint MD

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## FUND STRATEGY

### C-Corp and HHMC restructuring

- C-Corp not to contract with any third parties
- Other alternatives in respect of C-Corp being explored
  - Possibly new internal C-Corp to be established
  - National treasury to be lobbied in respect of taxable REIT subsidiary
  - Option secured by the Fund to purchase C-Corp at NAV
- HHMC to become fully independent
- HHMC focus to remain on HPF properties during current economic downturn
- HHMC brand partnerships to be strengthened

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## FUND STRATEGY

- Refurbishments placed on hold until after WC2010
- Prudent capital management
  - Focus on essential capital expenditure
  - Restructuring of debt facilities to improve flexibility
  - Possibility of capital raising to part finance acquisitions
- Ensure seamless management company internalisation
- Maximise benefits derived from World Cup 2010
  - Room stock contracted for duration of event to top sponsors and tour operators
  - Secure corporate travel bookings for pre and post WC2010
- Drive competitive advantage from unique properties

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Mount Grace Country House and Spa

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## DISTRIBUTION TIME FRAME

September							October						
M	T	W	T	F	S	S	M	T	W	T	F	S	S
	1	2	3	4	5	6				1	2	3	4
7	8	9	10	11	12	13	5	6	7	8	9	10	11
14	15	16	17	18	19	20	12	13	14	15	16	17	18
21	22	23	24	25	26	27	19	20	21	22	23	24	25
28	29	30					26	27	28	29	30	31	

Last day to trade *cum* interest

4 September



Linked units trade ex-interest

7 September



Record date

11 September



Payment date

14 September



Annual general meeting

30 October



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