

# 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  
 ("Hospitality" or "the fund" or "the company")

# Unaudited Interim Results

## for the six months ended 31 December 2009 and interest payment declaration

## Comments

### 1. Introduction

Hospitality Property Fund Limited is a property loan stock company that invests exclusively in hotel and leisure properties. The Fund's units in issue comprise A- and B-linked units with A-linked units having a preferential claim to earnings with capped growth, whilst the B-linked units receive the balance of earnings.

The effect of the global economic recession has been felt across all sectors of the South African economy with the hospitality industry experiencing a downturn since the latter part of 2008. The situation deteriorated throughout 2009 and continues to have a major impact on the performance of the hotel industry. Hotel occupancy levels have been under severe pressure with the STR Global hotel benchmark reports indicating a decline in average occupancies in South Africa of 12,8% for the reporting period compared to the same period in 2008.

A similar decline in occupancies experienced by the Fund has resulted in lower distributable earnings being achieved. While the A-linked units' distribution for the year remained unaffected, the decrease in the Fund's distributable earnings has had a leveraged negative effect on the B-linked units' distribution.

### 2. Results

Total distributable earnings for the six-month period declined by 36,1% compared to 2008. The A-linked units distribution of 57,46 cents grew by 5% over the previous year, in line with the Fund's distribution structure, while distributions in respect of the B-linked unit declined by 60,6% to 36,30 cents over the period. More than a year has passed since the collapse of the global financial markets and the effects on the South African economy continues. The last six months has seen a major drop off in corporate, government and leisure travel compared to the corresponding period in 2008. To counter this, management have aggressively marketed the hotels, the sales and marketing resources have been supplemented, radical cost rationalisation has been applied at all units, regrettably in some cases with the loss of jobs, whilst maintaining appropriate service levels.

Approximately 84% (2008: 72%) of the Fund's revenue was derived from fixed rentals with CPI-linked escalations. The remaining 16% (2008: 28%) comprised variable rentals which are linked to underlying hotel operational performance. The decline in variable rentals was due to the lower trading levels affecting the hotels' profitability and reflects the current stress on trading conditions in the hotel industry. Net finance costs were significantly higher than the previous year due to additional costs incurred to service debt raised to undertake refurbishment projects and acquisitions in the prior year.

The following table reflects the financial results for the six months to 31 December 2009 compared to the previous corresponding period.

#### Six months ending 31 December

|                                      | 2009<br>(R'000) | 2008<br>(R'000) | Variance<br>(%) |
|--------------------------------------|-----------------|-----------------|-----------------|
| Contractual rental                   | 128 526         | 126 756         | 1,4             |
| Fund expenses                        | (16 086)        | (14 758)        | 9,0             |
| Net finance costs                    | (54 455)        | (21 606)        | 152,0           |
| Profit before debenture interest     | 57 985          | 90 392          | (35,9)          |
| Recoupment of debenture interest     | 1 186           | -               | 100,0           |
| Debenture interest                   | (59 171)        | (90 392)        | (34,5)          |
| Distribution – A-linked unit         | (36 261)        | (33 702)        | 7,6             |
| Distribution – B-linked unit         | (22 910)        | (56 690)        | (59,6)          |
| Distribution – A-linked unit (cents) | 57,46           | 54,72           | 5,0             |
| Distribution – B-linked unit (cents) | 36,30           | 92,04           | (60,6)          |

### 3. Internalisation of management company

The internalisation of the management company was effective from 1 December 2009. The minimum purchase price of R123 million was paid to the previous shareholders of Manco and the balance will be calculated at the end of June 2012, dependent on certain performance criteria and subject to a maximum value of R180 million escalated by CPI annually. The transaction has resulted in a further alignment of interests of key management with that of linked unitholders, the elimination of perceived conflicts of interest and an enhancement in the Fund's yield.

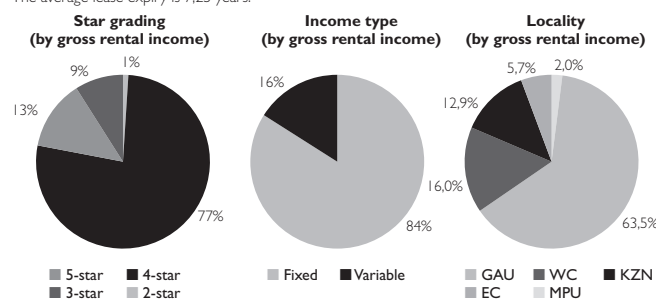
### 4. Property portfolio

The Fund's portfolio comprises interests in 23 hotel and resort properties in South Africa. The portfolio is segmented into three lease types, namely: fixed lease properties, C-Corp lease properties and variable lease properties. The Fund's current portfolio value of R3,4 billion results from the independent property valuation at 30 June 2009 plus capital expenditure over the past six-month period.

Rentals under fixed lease agreements are determined by normal contractual lease terms, with inflation linked annual escalations. C-Corp lease agreements comprise approximately 50% initial fixed lease rental, with the remaining being a variable rental equivalent to 90% of the hotel's EBITDA (earnings before interest, tax, depreciation and amortisation) after deducting the fixed lease portion. Variable lease agreements consist of rentals based on EBITDA from the property's underlying operations.

The previously announced transaction for the acquisition of a four-star hotel in Durban for a purchase consideration of approximately R111 million is close to being concluded.

The net asset value per linked unit as at 31 December 2009 was R18,17 (excluding deferred taxation). The average lease expiry is 7,25 years.



### 5. Development and capital projects

The Fund's refurbishment programme has been reassessed around the World Cup event, to ensure that there is no impairment of trading conditions or reduction of room stock over this period. The refurbishment of the Protea Hotel Imperial, Pietermaritzburg at a cost of R14 million is in progress and will be completed in May 2010. The Protea Hotel Marine, Port Elizabeth will be refurbished in two phases, pre- and post-World Cup at an expected cost of R20 million. Refurbishment of the Protea Hotel Victoria Junction, Cape Town will take place after the World Cup. Plans are also in place to increase the conference capacity and construct an additional 40 rooms at Champagne Sports Resort at a cost of R28 million.

### 6. Borrowings

The Fund's interest-bearing liabilities increased by R140 million to R1 154 million during the reporting period, the major portion being utilised to fund the acquisition of the Management Company.

The Fund's weighted average cost of debt for the year was 10,2% and the gearing ratio at 31 December 2009 was 32% of total asset value.

In compliance with International Financial Reporting Standards (IFRS) interest swap agreements are valued on a mark-to-market basis. A fair value adjustment of R0,8 million has been charged to the income statement. This fair value adjustment has no effect on the distribution to linked unitholders but adversely affects both the earnings and headline earnings.

|                     | All-in fixed rate | Commencement date | Maturity date  |
|---------------------|-------------------|-------------------|----------------|
| R253 million        | 10,45%*           | April 2008        | May 2012       |
| R150 million        | 11,45%            | August 2008       | August 2013    |
| R150 million        | 11,15%**          | December 2008     | December 2011  |
| R249 million        | 12,01%***         | September 2008    | September 2015 |
| R170 million        | 11,33%            | September 2008    | September 2018 |
| <b>R972 million</b> |                   |                   |                |

\* Extendable at the option of the funder to May 2014.

\*\* Extendable at the option of the funder to December 2013.

\*\*\* Step-up swap structure – weighted average rate. The swap is structured as follows:

(1 Sep 2008 – 31 Nov 2009 = 7,8%; 1 Dec 2009 – 31 Aug 2010 = 10,6%; 1 Sept 2010 – 1 Sep 2015 = 13,2%).

### 7. Unitholders

During the period some 21,7% of the A-linked units and 6,8% of the B-linked units were traded. The Fund has a BEE ownership component of 22,1%.

### 8. Prospects

While the hotel sector felt the full force of the global economic collapse in 2009, it seems that the worst is over and confidence is growing that 2010, particularly with the benefits of the FIFA World Cup, will be a better year. While expectations around the economic benefits of this event appear to be moderating, it will still enhance hotel profits. It is important to note that only half of the event will take place within the 2010 financial year. The majority of the Fund's room inventory over the World Cup period has been sold with the necessary deposits in place to secure the bookings. Management expects an increase in corporate travel and conferencing prior to the World Cup 2010 which will provide a further boost to the Fund's results for the next six months. Given that there appear to be signs of positive, albeit moderate growth in the general economy, the period post-World Cup should see a return to a more normalised trading environment for the hotel industry.

The Fund is presently considering a number of new acquisitions that have come onto the market, some of which are unique and highly sought after properties. It is likely that post-World Cup there will be even more acquisition opportunities at favourable prices, partly as a result of the distressed trading conditions and partly due to overzealous development over the past two years.

As previously announced, the Fund intends to undertake a capital raising by way of a rights offer to a maximum value of R600 million to partly fund certain of these acquisitions, the balance being funded by way of debt facilities. The rights issue is likely to be concluded before the end of the financial year and further details will be announced in due course.

The existing portfolio, the bulk of which is newly refurbished, together with the prospective new acquisitions should be well positioned to take maximum advantage of the envisaged improvement in the economy.

These prospects have not been reviewed or audited by the company's auditors.

### 9. Changes in the composition of the Board and the company secretary

With effect from the Manco internalisation on 1 December 2009, the role of Mr Youseph Aminzadeh changed from Executive Director to Non-executive Director and Hospitality Property Fund Managers (Pty) Limited was replaced by Vexicure (Pty) Limited as company secretary.

### 10. Payments of debenture interest

Unitholders will receive debenture interest payment number 8 for the six-month period ended 31 December 2009, of 57,46 cents per A-linked unit and 36,30 cents per B-linked unit.

| 2010                                |                  |
|-------------------------------------|------------------|
| Last day to trade cum interest      | Friday, 5 March  |
| Linked units will trade ex interest | Monday, 8 March  |
| Record date                         | Friday, 12 March |
| Payment date                        | Monday, 15 March |

Unitholders may not dematerialise or rematerialise their linked units between Monday, 8 March 2010 and Friday, 12 March 2010, both days inclusive.

#### BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 and the requirements of the Companies Act of South Africa (Act 61 of 1973) as amended. KPMG Inc, the independent auditor, has not reviewed the financial statements.

The financial statements are prepared on the historic cost basis, except for investment properties and derivatives which are measured at fair value. The significant accounting policies are as follows:

- investment property is initially recognised at cost including transaction costs. Subsequent to initial measurement, investment property is measured at fair value. Gains or losses arising from changes in fair value are included in net profit or loss for the period in which they arise. These gains or losses are transferred to a fair value reserve as they are not available for distribution;
  - interest-bearing liabilities and debenture capital are measured at amortised cost;
  - revenue comprises rental income from the letting of investment property and is accounted for on a straight-line basis over the period of the lease in terms of IAS 17; and
  - deferred taxation on the fair value adjustment of investment properties has been calculated at 14% on land value and 28% on buildings.
- The accounting policies are consistent with those applied in the most recent audited financial statements and the following new policies and standards have been adopted:
- goodwill is initially measured as the excess of the sum of the fair values of the consideration transferred over the recognised amount of the identifiable assets acquired and liabilities assumed. When the excess is negative it is recognised immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses;
  - contingent consideration classified as an asset or a liability that is a financial instrument shall be measured initially at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with IFRS; and
  - Operating Segments (IFRS 8) – the group has adopted this standard effective 1 July 2009. This standard requires the operating segment disclosure to be based on the information that management uses internally to evaluate segmental performance and when deciding how to allocate resources to operating segments.

#### DISCLOSURE REQUIRED IN TERMS OF IFRS 3 (BUSINESS COMBINATIONS)

##### Internalisation of the management company

On 1 December 2009 the group obtained control of Hospitality Property Fund Managers (Pty) Limited ("Manco"), the external property asset management company that managed Hospitality Property Fund Limited ("Hospitality") by acquiring 100% of the shares and voting interests in the company. The effect of the transaction resulted in the internalisation of the management from an external manager.

Over the past few years there has been a significant shift from external to internally managed property companies both internationally and in South Africa. The advantages of internalising include the yield enhancement from the lower cost of internal management, the elimination of perceived conflicts of interests and the further alignment of interests of key management with the interests of Hospitality linked unitholders.

During the month of December 2009 the effect of the internalisation resulted in no additional revenue to the Fund due to inter-company group charges being reversed but an increase in net profit of R0,5 million as a result of reduced expenses. If the acquisition had occurred on 1 July 2009, there would be no increase in consolidated revenue but net profits would have increased by R4,6 million.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

|                                    | R'000   |                             |
|------------------------------------|---------|-----------------------------|
| <b>Consideration transferred</b>   |         |                             |
| Fair value – cash                  | 82 000  |                             |
| Fair value – A-linked units issued | 19 393  | (1 521 014 units @ R12,75)* |
| Fair value – B-linked units issued | 21 446  | (1 521 014 units @ R14,10)* |
|                                    | 122 839 |                             |

\* The fair value of the linked units was based on the listed unit price on the JSE at 30 November 2009.

##### Contingent consideration

The purchase price shall be an amount equivalent to the average of the 30 June 2009, 2010, 2011 and 2012 values of Manco. The values of Manco for each of the years shall be calculated by taking the net profit after tax cash flows from Manco's operation for each of the years escalated by the CPI for a six-year forecast period and discounting the forecast cash flows by the average yield of Hospitality over the previous 12 months. Subject to a minimum price of R123 million and a maximum price of R180 million escalated by CPI between the effective date and 30 June 2012.

The minimum price was discharged in December 2009 and the balance of the purchase price will be paid to the sellers in cash or in linked units, at Hospitality's election, within 30 days of the issue of the audited financial statements of Hospitality for the 12 months ended 30 June 2012.

The group has included an amount of R67,8 million as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. The fair value of the contingent consideration was calculated by applying a DCF valuation with an escalation rate of 9,5% and a discounted rate of 10,5%.

## Highlights:

- Distribution per A-linked unit 57,46 cents
- Distribution per B-linked unit 36,30 cents
- Manco internalised December 2009

*Hospitality*  
PROPERTY FUND

### Identifiable assets acquired and liabilities assumed

|                                    | R'000   |
|------------------------------------|---------|
| Furniture and equipment            | 732     |
| Bank                               | 529     |
| Sundry creditors                   | (529)   |
| Total net identifiable assets      | 732     |
| <b>Goodwill</b>                    |         |
|                                    | R'000   |
| Fair value of acquiree             | 190 843 |
| Less: Value of identifiable assets | (732)   |
| Goodwill                           | 190 111 |

The goodwill is attributable mainly to the improved profitability of the group following the internalisation of the management company and the acquired skills and technical talent acquired through the work-force. None of the goodwill is expected to be deducted for income tax purposes.

### Transactions separate from the acquisition

The group incurred acquisition related costs of R1,874 million relating to external legal fees, external transaction sponsor and independent advisory fees, independent reporting accountants fees, directors fees, printing and press announcements costs, JSE listing and inspection costs. An amount of R1,699 million was expensed and the balance of R0,175 million relating to share issue expenses was allocated against share premium.

By order of the Board

**T E Sewell**  
(Chairman)

**GA Nelson**  
(Chief Executive Officer)

17 February 2010

## Statement of comprehensive income

for the six months ended 31 December 2009

|  | Unaudited<br>31 Dec 2009<br>R'000 | Unaudited<br>31 Dec 2008<br>R'000 | Audited<br>30 June 2009<br>R'000 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Revenue</b>   | <b>130 150</b>                    | 128 929                           | 261 919                          |
| Rental income – contractual  | 128 526                           | 126 756                           | 256 686                          |
| – straight-line accrual  | 1 624                             | 2 173                             | 5 233                            |
| <b>Expenditure</b>   | <b>(16 086)</b>                   | (14 758)                          | (31 276)                         |
| Property and other operating expenses  | (16 086)                          | (14 758)                          | (31 276)                         |
| <b>Operating profit</b>  | <b>114 064</b>                    | 114 171                           | 230 643                          |
| Manco internalisation transaction cost   | (1 699)                           | –                                 | –                                |
| <b>Net finance cost</b>  | <b>(54 455)</b>                   | (21 606)                          | (63 172)                         |
| Finance income   | 1 000                             | 16 245                            | 24 139                           |
| Finance costs  | (55 455)                          | (37 851)                          | (87 311)                         |
| <b>Profit before debenture interest, fair value adjustments and taxation</b>         | <b>57 910</b>                     | 92 565                            | 167 471                          |
| Recoupment of debenture interest   | 1 186                             | –                                 | –                                |
| Debenture interest   | (59 171)                          | (90 392)                          | (162 238)                        |
| <b>(Loss)/profit before fair value adjustments and taxation</b>                      | <b>(75)</b>                       | 2 173                             | 5 233                            |
| <b>Fair value adjustments</b>  | <b>(2 387)</b>                    | (131 773)                         | 88 116                           |
| Revaluation of investment properties   | (1 624)                           | (2 173)                           | 199 386                          |
| Interest rate swaps  | (763)                             | (129 600)                         | (111 270)                        |
| <b>(Loss)/profit before taxation</b>   | <b>(2 462)</b>                    | (129 600)                         | 93 349                           |
| <b>Taxation</b>  | <b>–</b>                          | –                                 | (54 889)                         |
| <b>Total (loss)/profit and comprehensive (loss)/income for the period</b>            | <b>(2 462)</b>                    | (129 600)                         | 38 460                           |
| <b>Reconciliation between earnings, headline earnings and distributable earnings</b> |                                   |                                   |                                  |
| <b>(Loss)/profit for the period</b>  | <b>(2 462)</b>                    | (129 600)                         | 38 460                           |
| Adjustments:   |                                   |                                   |                                  |
| Debenture interest   | 59 171                            | 90 392                            | 162 238                          |
| <b>Earnings (linked units)</b>   | <b>56 709</b>                     | (39 208)                          | 200 698                          |
| Adjustments:   |                                   |                                   |                                  |
| Fair value – investment properties revaluation (net of taxation)                     | 1 624                             | 2 173                             | (144 497)                        |
| <b>Headline earnings (linked units)</b>  | <b>58 333</b>                     | (37 035)                          | 56 201                           |
| Fair value – interest rate swaps   | 763                               | 129 600                           | 111 270                          |
| Manco internalisation transaction cost   | 1 699                             | –                                 | –                                |
| Straight-line rental income  | (1 624)                           | (2 173)                           | (5 233)                          |
| <b>Distributable earnings</b>  | <b>59 171</b>                     | 90 392                            | 162 238                          |
| <b>Number of units/shares</b>  |                                   |                                   |                                  |
| A-linked unit  | 63 112 101                        | 61 591 087                        | 61 591 087                       |
| B-linked unit  | 63 112 101                        | 61 591 087                        | 61 591 087                       |
| <b>Weighted average number of units/shares</b>                                       |                                   |                                   |                                  |
| A-linked unit  | 61 847 345                        | 61 591 087                        | 61 591 087                       |
| B-linked unit  | 61 847 345                        | 61 591 087                        | 61 591 087                       |
| <b>Distribution per linked unit (cents)</b>  |                                   |                                   |                                  |
| <b>A-linked unit</b>   | <b>57,46</b>                      | 54,72                             | 110,76                           |
| – Interim  | 57,46                             | 54,72                             | 54,72                            |
| – Final  | –                                 | –                                 | 56,04                            |
| <b>B-linked unit</b>   | <b>36,30</b>                      | 92,04                             | 152,65                           |
| – Interim  | 36,30                             | 92,04                             | 92,04                            |
| – Final  | –                                 | –                                 | 60,61                            |
|  | 93,76                             | 146,76                            | 263,41                           |
| <b>Earnings per linked units (cents)</b>   |                                   |                                   |                                  |
| A-linked unit  | 45,85                             | (31,83)                           | 162,93                           |
| B-linked unit  | 45,85                             | (31,83)                           | 162,93                           |
|  | 91,69                             | (63,66)                           | 325,86                           |
| <b>Headline earnings per linked unit (cents)</b>                                     |                                   |                                   |                                  |
| A-linked unit  | 47,16                             | (30,07)                           | 45,62                            |
| B-linked unit  | 47,16                             | (30,07)                           | 45,62                            |
|  | 94,32                             | (60,14)                           | 91,24                            |
| <b>Earnings and diluted earnings per ordinary share (cents)</b>                      | <b>(1,99)</b>                     | (105,21)                          | 31,22                            |

## Statement of cash flows

for the six months ended 31 December 2009

|  | Unaudited<br>31 Dec 2009<br>R'000 | Unaudited<br>31 Dec 2008<br>R'000 | Audited<br>30 June 2009<br>R'000 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                |                                   |                                   |                                  |
| Cash generated from operations                             | 75 447                            | 113 385                           | 265 321                          |
| Finance income received                                    | 1 000                             | 16 245                            | 24 139                           |
| Finance costs paid   | (55 455)                          | (37 851)                          | (87 311)                         |
| Distribution to unitholders                                | (71 847)                          | (85 236)                          | (175 627)                        |
| <b>Net cash (outflow)/inflow from operating activities</b> | <b>(50 855)</b>                   | 6 543                             | 26 522                           |
| <b>Cash flows from investing activities</b>                |                                   |                                   |                                  |
| Acquisition and development of investment properties       | (8 451)                           | (815 564)                         | (939 953)                        |
| Acquisition of management company                          | (124 699)                         | –                                 | –                                |
| <b>Net cash outflow from investing activities</b>          | <b>(133 150)</b>                  | (815 564)                         | (939 953)                        |
| <b>Cash flows from financing activities</b>                |                                   |                                   |                                  |
| Proceeds from the issue of linked units                    | 40 827                            | –                                 | –                                |
| Share issue expenses paid                                  | (175)                             | –                                 | (185)                            |
| Interest-bearing liabilities raised                        | 140 325                           | 647 469                           | 733 838                          |
| <b>Net cash inflow from financing activities</b>           | <b>180 977</b>                    | 647 469                           | 733 653                          |
| Net decrease in cash and cash equivalents                  | (3 028)                           | (161 552)                         | (179 778)                        |
| Cash and cash equivalents at beginning of period           | 9 828                             | 189 606                           | 189 606                          |
| <b>Cash and cash equivalents at end of period</b>          | <b>6 800</b>                      | 28 054                            | 9 828                            |

## Statement of financial position

as at 31 December 2009

|  | Unaudited<br>31 Dec 2009<br>R'000 | Unaudited<br>31 Dec 2008<br>R'000 | Audited<br>30 June 2009<br>R'000 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                   |                                   |                                  |
| <b>Non-current assets</b>  | <b>3 603 546</b>                  | 3 075 244                         | 3 404 252                        |
| Investment properties  | 3 411 079                         | 3 063 095                         | 3 389 043                        |
| Straight-line rent income accrual  | 1 624                             | 12 149                            | 15 209                           |
| Furniture and equipment  | 732                               | –                                 | –                                |
| Goodwill   | 190 111                           | –                                 | –                                |
| <b>Current assets</b>  | <b>21 391</b>                     | 50 927                            | 12 619                           |
| Trade and other receivables  | 14 591                            | 22 873                            | 2 791                            |
| Cash and cash equivalents  | 6 800                             | 28 054                            | 9 828                            |
| <b>Total assets</b>  | <b>3 624 937</b>                  | 3 126 171                         | 3 416 871                        |
| <b>EQUITY AND LIABILITIES</b>  |                                   |                                   |                                  |
| <b>Equity</b>  | <b>819 035</b>                    | 641 390                           | 809 265                          |
| Share capital and share premium  | 259 195                           | 247 148                           | 246 963                          |
| (Accumulated loss)/retained earnings   | (720)                             | 980                               | 980                              |
| Fair value reserve   | 560 560                           | 393 262                           | 561 322                          |
| <b>Non-current liabilities</b>   | <b>2 721 171</b>                  | 2 360 716                         | 2 483 644                        |
| Debentures   | 1 186 507                         | 1 157 912                         | 1 157 912                        |
| Interest-bearing liabilities   | 1 153 889                         | 927 195                           | 1 013 564                        |
| Derivative liability   | 71 220                            | 88 785                            | 70 456                           |
| Contingent consideration   | 67 843                            | –                                 | –                                |
| Deferred taxation  | 241 712                           | 186 824                           | 241 712                          |
| <b>Current liabilities</b>   | <b>84 731</b>                     | 124 065                           | 123 962                          |
| Trade and other payables   | 26 746                            | 33 673                            | 52 115                           |
| Debenture interest payable   | 57 985                            | 90 392                            | 71 847                           |
| <b>Total equity and liabilities</b>  | <b>3 624 937</b>                  | 3 126 171                         | 3 416 871                        |
| <b>Net asset value per linked unit (Rands)</b>                               |                                   |                                   |                                  |
| A-linked unit  | 16,21                             | 14,61                             | 15,97                            |
| B-linked unit  | 16,21                             | 14,61                             | 15,97                            |
| <b>Net asset value per linked unit (excluding deferred taxation) (Rands)</b> |                                   |                                   |                                  |
| A-linked unit  | 18,17                             | 16,12                             | 17,93                            |
| B-linked unit  | 18,17                             | 16,12                             | 17,93                            |

## Statements of changes in equity

for the period ended 31 December 2009

|   | Share capital<br>R'000 | Share premium<br>R'000 | Retained earnings<br>R'000 | Fair value reserve<br>R'000 | Total<br>R'000 |
|---|------------------------|------------------------|----------------------------|-----------------------------|----------------|
| <b>Balance at 1 July 2008</b>             | 12                     | 247 136                | 980                        | 522 862                     | 770 990        |
| Total comprehensive income for the period | –                      | –                      | 2 173                      | (131 773)                   | (129 600)      |
| Transfer to fair value reserve            | –                      | –                      | (2 173)                    | 2 173                       | –              |
| <b>Balance at 31 December 2008</b>        | 12                     | 247 136                | 980                        | 393 262                     | 641 390        |
| <b>Balance at 1 July 2009</b>             | 12                     | 246 951                | 980                        | 561 322                     | 809 265        |
| Issue of share capital                    | 1                      | 12 406                 | –                          | –                           | 12 407         |
| Share issue expenses                      | –                      | (175)                  | –                          | –                           | (175)          |
| Total comprehensive income for the period | –                      | –                      | (75)                       | (2 387)                     | (2 462)        |
| Transfer to retained earnings             | –                      | –                      | (1 625)                    | 1 625                       | –              |
| <b>Balance at 31 December 2009</b>        | 13                     | 259 182                | (720)                      | 560 560                     | 819 035        |

## Condensed segmental information

for the six months ended 31 December 2009

|  | Fixed lease agreements<br>R'000 | C-Corp lease agreements<br>R'000 | Variable lease agreements<br>R'000 | Total segments<br>R'000 | Corpo-rate<br>R'000 | Total<br>R'000 |
|--|---------------------------------|----------------------------------|------------------------------------|-------------------------|---------------------|----------------|
| <b>Income statement – 31 December 2009</b> |                                 |                                  |                                    |                         |                     |                |
| Segment revenue                            | 70 634                          | 54 335                           | 5 181                              | 130 150                 | –                   | 130 150        |
| Expenditure                                | –                               | –                                | –                                  | –                       | (17 785)            | (17 785)       |
| Segment operating results                  | 70 634                          | 54 335                           | 5 181                              | 130 150                 | (17 785)            | 112 365        |
| Net finance cost                           | –                               | –                                | –                                  | –                       | (54 455)            | (54 455)       |
| <b>Profit/(Loss) for the period</b>        | <b>70 634</b>                   | <b>54 335</b>                    | <b>5 181</b>                       | <b>130 150</b>          | <b>(72 240)</b>     | <b>57 910</b>  |
| <b>Income statement – 31 December 2008</b> |                                 |                                  |                                    |                         |                     |                |
| Segment revenue                            | 66 190                          | 55 582                           | 7 157                              | 128 929                 | –                   | 128 929        |
| Expenditure                                | –                               | –                                | –                                  | –                       | (14 758)            | (14 758)       |
| Segment operating results                  | 66 190                          | 55 582                           | 7 157                              | 128 929                 | (14 758)            | 114 171        |
| Net finance cost                           | –                               | –                                | –                                  | –                       | (21 606)            | (21 606)       |
| <b>Profit/(Loss) for the period</b>        | <b>66 190</b>                   | <b>55 582</b>                    | <b>7 157</b>                       | <b>128 929</b>          | <b>(36 364)</b>     | <b>92 565</b>  |

Directors: T E Sewell (Chairman)\*+, G A Nelson (CEO), Y Aminzadeh (Dutch)\*, R Asmal, K H Abdul-Karim\*+, Z N Kubukeli\*+, B M Madumise\*+, W J Midgley\*, A S Rogers (Deputy CEO), W C Ross\*+  
(\*Non-executive, +Independent)

Registered office: "3 on Glenhove", Cnr Tottenham Avenue and Glenhove Road, Melrose Estate, 2196  
Tel: +27 11 994 6320 Fax: +27 11 994 6321  
Email: info@hpf.co.za Web: www.hpf.co.za

inco motiv

www.hpf.co.za