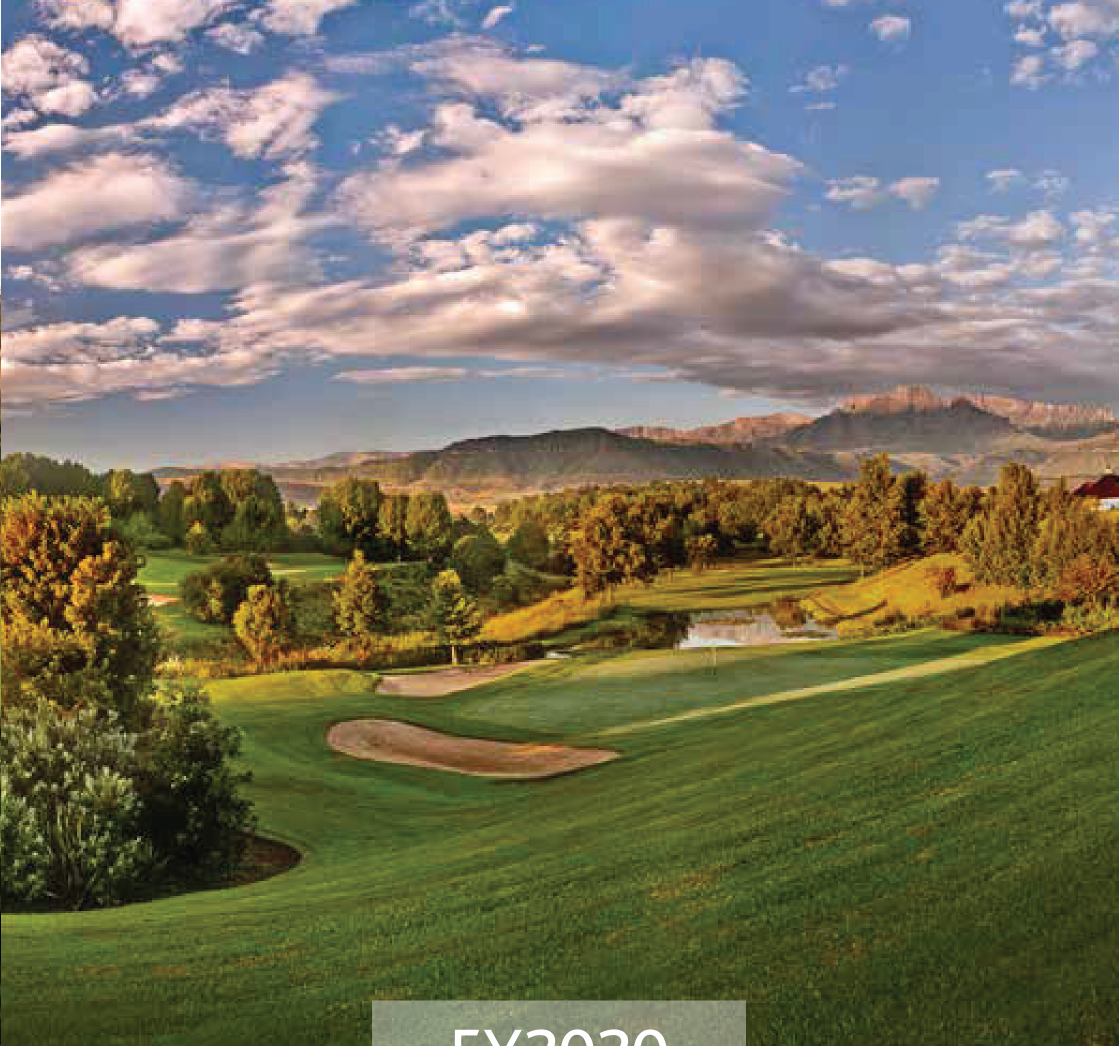

FY2020

Hospitality
PROPERTY FUND

Summarised consolidated financial results
for the year ended 31 March 2020

Commentary

Hospitality Property Fund Limited's ("The Fund" or "Hospitality" or "Group") distributable earnings decreased by 14% for the year, mainly due to the impact of the Covid-19 virus in March 2020. Hotel occupancies decreased on the prior year by 2.5 percentage points ("pp") (or 4%) to 59%, primarily as a result of lower volumes in Gauteng. The average room rate ("ARR") is up by 3% on the prior year at R1 131, resulting in a 1% decline in revenue per available room ("RevPar") on the prior year.

Rental income for the year ended at R768 million (2019: R828 million), is 7% down on the prior year, mainly due to the poor performance from the Gauteng hotels, falling 14% below the prior year. Hospitality's rental income is subject to seasonal variability and the trading has been impacted by the macro-economic conditions and uncertainty, mainly as a result of the Covid-19 pandemic. The Fund's year-on-year expenses (excluding the transaction costs in the prior year) have decreased by R5 million or 9% predominantly due to payroll-related savings. Hospitality's expenses in the prior year include the transaction costs of R20 million relating to the unsuccessful casino acquisition. Net finance costs of R195 million (2019: R167 million) are higher than the prior year due to the acquisition of the Southern Sun Pretoria and due to the capital expenditure increasing borrowings, partially offset by the negotiated interest rates being lower on the current borrowings.

The following table reflects the operating financial results for the year ended 31 March 2020 compared to the prior year ended 31 March 2019:

SUMMARY OF OPERATING RESULTS AS AT MARCH 2020

	Actual March 2020 R'000	Actual March 2019 R'000	Variance on March 2019 R'000	Variance on March 2019 %
Contractual revenue	**767 695**	827 631	(59 936)	(7)
Sundry income	**577**	1 112	(535)	(48)
Fund expenses[1]	**(51 112)**	(56 262)	5 150	(9)
Net finance cost	**(195 440)**	(166 988)	(28 452)	17
Income from associates	**208**	720	(512)	(71)
Distributable earnings	**521 928**	606 213	(84 285)	(14)
No par value ordinary shares	**578 154**	575 777	2 377	–
Distribution comparative to prior years				
Interim dividend	**35.40**	41.22	(5.82)	(14)
Final dividend per share	**–**	64.17	(64.17)	(100)
Combined distribution	**35.40**	105.39	(69.99)	(66)

[1] *Fund expenses in the prior year exclude the exceptional transaction costs of R19 834.*

HOTEL TRADING RESULTS

Room occupancy for the Fund's hotels for the year ended 31 March 2020, declined by 3.7% to 60.3% while the market experienced a decline of 3.9% to 59.9%. (For comparison to the STR Global South African Hotel Review ("STR") the Sun1 trading results are excluded.) The decrease experienced was driven through the significant impact of the Covid-19 pandemic in March 2020, which is traditionally a high occupancy month in the South African market.

The ARR for the portfolio increased by 3% to R1 231, driven by the increase in ARR from the Western Cape, mainly due to the recovery of the water crisis in the prior year. The resultant RevPar decreased by 0.8% to R743. The STR figures reflect a decrease in ARR of 2.6% to R1 270 and a decline in RevPar of 6.4% for the South African market over the year to R760.

Hotel occupancy for the Fund's Western Cape hotels increased in the second half of the year to February 2020, but the decrease in occupancy in March resulted in a decrease for the year of 1.3% to 61.0%. The ARR in the Western Cape increased by 5% to R1 728, resulting in a RevPar growth of 4% to R1 054. As reported by STR, occupancy for the region declined by 3.2% to 61.4%, the ARR decreased by 4% on the prior year to R1 652, resulting in a RevPar decline of 8% to R1 014.

In Gauteng, hotel occupancy over the year decreased by 8.1% to 55.1% with the ARR largely remaining flat, resulting in a RevPar decrease of 8% to R561. For the STR participating hotels in Gauteng, occupancies decreased by 6.7% to 57.3%, ARR decreased by 1% to R1 143, resulting in a RevPar decrease of 8% to R654.

The portfolio situated in the rest of South Africa showed more resilience in the pre-Covid economic environment, with occupancies remaining flat on the prior year at 67.3%, while increasing ARR by 3% to R997, resulting in an overall RevPar increase of 3% to R672. Occupancies for the STR comparative set decreased by 0.9% to 62.0%, the ARR decreased by 3% to R1 081 and RevPar decreased by 4% to R670.

The Sun1 portfolio experienced marked pressure on volume, with occupancies decreasing by 7.1% to 50.2%, the ARR remained flat year on year at R507, resulting in a decrease in RevPar of 7% to R254.

PROPERTY PORTFOLIO

The Fund's portfolio includes 54 hotel and resort properties in South Africa. The Fund's property portfolio was independently valued at R10 billion (2019: R12 billion) at 31 March 2020. The fair value is determined by discounting the rental income (based on expected net future cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate.

The impact of Covid-19 and the associated impact on the hospitality industry has had a significant impact on the expected future cash flows of hotels at 31 March 2020. Due to the uncertainty of future trading conditions, the forecasts in year one and two have been reduced. The South African bond yield 10Y increased by 1.9 percentage points from 31 March 2019 (8.61%) to 31 March 2020 (10.51%). Hospitality had used a risk-free rate of 8.65% in 2019, compared to 10.50% in 2020, resulting in higher exit yields and higher discount rates across the portfolio. The result being a negative fair value adjustment of R2.5 billion on the fair value of the Fund's property portfolio after capital expenditure at 31 March 2020.

The weighted average lease expiry period is 13.3 years. As at 31 March 2020, the carrying amount of the portfolio was R10 billion and the net asset value ("NAV") per ordinary share amounted to R13.27.

CAPITAL PROJECTS

In order to maintain the appeal of its properties, the Fund continually upgrades and invests in its hotels. Total capital expenditure amounting to R220 million was spent during the year. This includes all capital expenditure spent on refurbishment projects, replacement of hotel furnishings, equipment and IT equipment. The major refurbishment projects included the completion of the rooms' refurbishments at The Westin and the Arabella Hotel & Spa.

FUNDING

Hospitality's debt facilities with financial institutions as at 31 March 2020 amounted to R2.95 billion and the total drawn down facilities amounted to R2.55 billion, resulting in a loan-to-value ("LTV") ratio (total interest-bearing liabilities/investment properties plus properties held for sale) of 26% (2019: 16%).

The interest cover ratio (earnings before interest, depreciation, tax and amortisation/net finance costs) of 3.7 times (2019: 4.5 times) for the 12 months rolling to March 2020, is well above the required debt covenant minimum of 2.0 times. The weighted average cost of net debt to 31 March 2020 is 9.1%.

A corporate bond (HPF12) of R300 million was issued in April 2019 to refinance the maturing corporate bonds (HPF08 and HPF09) and to fund capital expenditure.

A corporate bond (HPF13) of R800 million was issued in December 2019 to refinance bank term funding of R550 million, as well as to fund the acquisition of Southern Sun Pretoria.

A further revolving credit facility of R250 million was raised through Nedbank and the maturity date of the Standard Bank revolving credit facility of R500 million was extended by a further three years. The Fund has no facilities that are repayable within the next 12 months and the average maturity profile of the Fund's facilities is 3.20 years, global credit ratings maintained the Fund's long-term credit rating at A- (ZA) and revised its short-term credit rating to A2 (ZA).

PROSPECTS

Hotel trading is expected to remain under pressure until the outlook on the South African economy improves. The impact of the Covid-19 pandemic is still unknown but is expected to have a longer-term effect on the industry. The Fund's gearing is at a reasonable level of 26%. Hospitality is conserving its cash resources and have implemented actions to reduce costs where possible. All capital expenditure has been postponed and only essential maintenance will endure. Hospitality will not declare a final dividend for the year ended 31 March 2020 and may review this decision once there is more certainty around the impact of the Covid-19 pandemic.

PRESENTATION

Shareholders are advised that a presentation that provides additional analysis and information, will be available on the company's website at www.hpf.co.za/investors/presentations/2020 from 29 May 2020.

By order of the board

MN von Aulock
(Chairman)

MR de Lima
(Chief executive officer)

28 May 2020

Condensed consolidated statement of comprehensive income

for the year ended 31 March 2020

	Audited March 2020 R'000	Audited March 2019 R'000
Revenue	**767 644**	827 786
Rental income – contractual	767 695	827 631
– straight-line accrual	(51)	155
Operating expenses	**(51 112)**	(76 096)
Operating profit	**716 532**	751 690
Other income	**1 665**	1 767
Insurance proceeds	1 088	655
Sundry income	577	1 112
Net finance cost	**(195 440)**	(166 988)
Finance income	11 069	17 206
Finance costs	(206 509)	(184 194)
Profit before fair value adjustments, goodwill and taxation	**522 757**	586 469
Profit on sale of furniture, fittings and equipment	**173**	–
Fair value adjustments	**(2 511 309)**	(781 475)
Investment properties, before straight-lining adjustment	(2 461 320)	(787 414)
Interest-rate swaps	(50 040)	6 094
Change in fair value as a result of the straight-lining adjustment	51	(155)
Loss before taxation	**(1 988 379)**	(195 006)
Equity accounted profit from associate after tax	**208**	720
Income tax expense	**–**	191
Loss for the year	**(1 988 171)**	(194 095)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(1 988 171)**	(194 095)
Loss attributable to:		
– Equity holders	(1 988 171)	(194 095)
Other comprehensive income attributable to:		
– Equity holders	–	–
Earnings and diluted earnings per share (cents)	**(344.22)**	(33.74)
Headline earnings and diluted headline earnings per share (cents)	**81.88**	103.15

	Audited March 2020 R'000	Audited March 2019 R'000
Reconciliation between total comprehensive (loss)/income for the year and headline earnings		
Total comprehensive (loss)/income for the year	**(1 988 171)**	(194 095)
Adjustments:		–
Profit on sale of furniture, fittings and equipment	**(173)**	–
Straight-line adjustment	**51**	(155)
Fair value – investment properties revaluation	**2 461 269**	787 569
Headline earnings	**472 976**	593 319
Number of shares		
No par value ordinary shares	**577 591 433**	575 214 177
– Shares in issue	**578 154 207**	578 154 207
– HPF Employee Incentive Trust shares	**(562 774)**	(562 774)
– Shareholder redemption	**–**	(2 377 256)
Weighted average number of shares		
No par value ordinary shares	**577 591 433**	575 214 177
– Shares in issue	**578 154 207**	578 154 207
– HPF Employee Incentive Trust shares	**(562 774)**	(562 774)
– Shareholder redemption	**–**	(2 377 256)
Earnings and diluted earnings per share (cents)	**(344.22)**	(33.74)
Headline earnings and diluted headline earnings per share (cents)	**81.88**	103.15

Condensed consolidated statement of financial position

as at 31 March 2020

	Note	Audited March 2020 R'000	Audited March 2019 R'000
ASSETS			
Non-current assets		**9 979 970**	12 026 805
Investment properties	2	**9 978 983**	12 023 914
Furniture, fittings and equipment		**8**	337
Derivative asset		**–**	1 783
Investment in associates		**979**	771
Current assets		**363 054**	239 792
Trade and other receivables		**72 479**	144 510
Cash and cash equivalents		**290 575**	95 282
Total assets		**10 343 024**	12 266 597
EQUITY AND LIABILITIES			
Equity		**7 673 768**	10 222 055
Stated capital		**9 051 194**	9 027 065
Retained earnings		**281 979**	343 035
Common control reserve		**(1 106 013)**	(1 106 013)
Non-distributable reserve		**(553 392)**	1 957 968
Non-current liabilities		**2 598 172**	1 649 775
Interest-bearing liabilities		**2 546 606**	1 647 358
Derivative liability		**50 229**	1 971
Long-term incentive liabilities non-current portion		**1 337**	446
Current liabilities		**71 084**	394 767
Trade and other payables		**69 697**	79 219
Short-term portion of interest-bearing liabilities		**–**	290 000
Provision for shareholder redemption		**–**	24 129
Long-term incentive liabilities current portion		**1 387**	1 419
Total equity and liabilities		**10 343 024**	12 266 597

Condensed consolidated statement of changes in equity

for the year ended 31 March 2020

	Stated capital R'000	Treasury share reserve R'000	Retained earnings R'000	Common control reserve R'000	Non-distributable reserve R'000	Total R'000
Balance at 31 March 2018 (audited)	9 037 060	(9 995)	444 108	(1 106 013)	2 739 443	11 104 603
Total other comprehensive income for the year	–	–	(194 095)	–	–	(194 095)
Dividend declared on 23 May 2018	–	–	(451 330)	–	–	(451 330)
Dividend declared on 21 November 2018	–	–	(237 123)	–	–	(237 123)
Transfer to fair value reserve – investment property	–	–	787 569	–	(787 569)	–
Transfer to fair value reserve – interest rate swaps	–	–	(6 094)	–	6 094	–
Balance at 31 March 2019 (audited)	**9 037 060**	**(9 995)**	**343 035**	**(1 106 013)**	**1 957 968**	**10 222 055**
Total comprehensive income for the year	–	–	(1 988 171)	–		(1 988 171)
Dividend declared on 23 May 2019	–	–	(369 124)	–	–	(369 124)
Dividend paid 7 August 2019 relating to appraisal rights matter	–	–	(10 663)	–	–	(10 663)
Dividend declared on 20 November 2019	–	–	(204 458)	–	–	(204 458)
Transfer to fair value reserve – investment property	–	–	2 461 320	–	(2 461 320)	–
Transfer to fair value reserve – interest rate swaps	–	–	50 040	–	(50 040)	–
Provision for shareholder redemption	24 129	–	–	–	–	24 129
Balance at 31 March 2020 (audited)	**9 061 189**	**(9 995)**	**281 979**	**(1 106 013)**	**(553 392)**	**7 673 768**

Condensed consolidated statement of cash flows
for the year ended 31 March 2020

	Audited March 2020 R'000	Audited March 2019 R'000
Cash flows from operating activities		
Cash generated from operations	781 245	771 480
Finance income received	11 069	17 206
Finance costs paid	(206 509)	(184 194)
Distribution to shareholders	(584 245)	(688 453)
Net cash outflow from operating activities	1 560	(83 961)
Cash flows from investing activities		
Acquisition and development of investment properties	(420 008)	(211 992)
Acquisition of furniture and equipment	–	(290)
Dividends received from associate	–	700
Proceeds from disposal of investment property	3 568	234
Proceeds from disposal of furniture, fittings and equipment	173	–
Net cash outflow from investing activities	(416 267)	(211 348)
Cash flows from financing activities		
Interest-bearing liabilities raised	2 080 000	100 000
Interest-bearing liabilities paid	(1 470 000)	(100 000)
Net cash inflow from financing activities	610 000	–
Net increase/(decrease) in cash and cash equivalents	195 293	(295 309)
Cash and cash equivalents at beginning of the year	95 282	390 591
Cash and cash equivalents at end of year	290 575	95 282

Condensed consolidated segmental information

for the year ended 31 March 2020

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 executive committee, who are the group's chief operating decision makers ("CODM"). Generally, geographical segments are used to measure performance as the group's board 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 2018 financial period. Sun1 is disclosed as a separate segment as the grading and model is different to the existing portfolio.

	Audited March 2020 R'000	Audited March 2019 R'000
Total assets		
Western Cape	4 474 900	5 087 453
Gauteng	2 776 883	3 603 185
Rest of Africa	2 076 900	2 493 286
Sun1	650 300	839 990
Head Office	364 041	242 683
	10 343 024	12 266 597
Rental revenue		
Western Cape	308 428	312 387
Gauteng	231 396	266 785
Rest of Africa	175 152	186 438
Sun1	52 668	62 176
	767 644	827 786
Operating profit for the period		
Western Cape	305 844	312 387
Gauteng	222 252	266 785
Rest of Africa	175 152	186 438
Sun1	52 668	62 176
Head Office income	1 665	1 767
Head Office expense	(39 384)	(76 096)
	718 197	753 457
Reconciliation between headline earnings and distributable earnings		
Headline earnings	472 976	593 319
Insurance proceeds	(1 088)	(655)
Fair value – interest rate swaps	50 040	(6 094)
Income tax expense	–	(191)
Exceptional transaction costs	–	19 834
Distributable earnings	521 928	606 213
Distribution per share (cents)		
No par value share	35.40	105.39
– Interim	35.40	41.22
– Final dividend per share	–	64.17
	35.40	105.39

Notes to the unaudited condensed consolidated financial statements for the year ended 31 March 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. 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 Financial 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*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office and website: www.hpf.co.za.

The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying annual financial statements. The preparation of these summary consolidated financial statements were supervised by R Erasmus CA(SA) in his capacity as Hospitality's financial director.

	2020 R'000	2019 R'000
2. INVESTMENT PROPERTIES		
Opening balance as at 1 April	**12 023 914**	12 533 970
Acquisition of properties	**200 000**	–
Additions to investment properties	**220 008**	211 992
Fair value adjustment recognised through profit or loss	**(2 461 320)**	(787 569)
Transfer from non-current assets held for sale	**–**	65 600
Disposal	**(3 568)**	(234)
Straight-line rental income acrual	**(51)**	155
Closing balance as at 31 March	**9 978 983**	12 023 914

3. FAIR VALUE ESTIMATION

The group fair values its investment properties, interest rate swaps together with its available-for-sale investments. There were no transfers into or out of level 3 financial instruments.

Investment properties

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 South African Government Bond Yield 10Y at the time of valuation, to which is added premiums for market risk and cost of equity. 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 external appointed valuer.

As at 31 March 2020, the significant observable inputs were as follows:
– a weighted rental growth of 5.19% (2019: 5.25%)
– a reversionary capitalisation rate of between 9.00% and 13.50% (only five properties exceed 11.00%) (2019: 7.25% and 7.75%); and
– a risk-adjusted discount rate of between 12.00% and 14.50% (only one property is lower than 13.00%) (2019: 12.50% and 13.00%).

The table below indicates the sensitivities of the aggregate property values for the following changes to assumptions:

	Increase Rm	Decrease Rm
5% change in the net cash flows	1 264	(497)
25bps change in the terminal capitalisation rate	(221)	141
50bps change in the discount rate	(336)	350

Interest rate swaps

The group has interest rate swaps that are not hedge accounted which are level 2 fair value measurements.

The fair value of the derivatives is a net liability of R50.2 million (31 March 2019: R0.2 million) net liability and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year.

Notes to the unaudited condensed consolidated financial statements for the year ended 31 March 2020

4. NET DEBT RECONCILIATION

This note sets out an analysis of the net debt and movements in debt for the presented period.

	Cash R'000	Borrowings R'000	Net borrowings R'000
Opening balance at 1 April 2018	390 591	1 940 000	1 549 409
Cash received	–	100 000	100 000
Cash paid	(295 309)	(100 000)	195 309
Net debt at 31 March 2019	**95 282**	**1 940 000**	**1 844 718**
Cash received	**195 293**	**2 080 000**	**1 884 707**
Cash paid	**–**	**(1 470 000)**	**(1 470 000)**
Net debt at 31 March 2020	**290 575**	**2 550 000**	**2 259 425**

	2020 R'000	2019 R'000
Financial liabilities measured at amortised cost		
Bank borrowings	**850 000**	1 050 000
Corporate bonds (domestic medium-term note programme)	**1 700 000**	890 000
Total borrowings	**2 550 000**	1 940 000
Less: Debt raising fees	**(3 394)**	(2 642)
	2 546 606	1 937 358
Available facilities		
Bank borrowings	**1 250 000**	1 550 000
Corporate bonds (domestic medium-term note programme)	**1 700 000**	890 000
Total facilities	**2 950 000**	2 440 000
Excess facilities available	**400 000**	500 000

5. RELATED PARTIES

Rental income received from Tsogo Sun for the period 1 April 2019 to 31 March 2020 amounted to R455 million (31 March 2019: R440 million) of which Rnil is receivable at 31 March 2020 (31 March 2019: R43 million).

6. NEW ACCOUNTING STANDARDS

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements.

IFRS 16 *Leases*

The standard introduces a single lease accounting model and requires the lessee to recognise a right-of-use asset and corresponding liability for all leases.

IFRS 16 substantially carries forward the requirements of lessor accounting in IAS 17. As the group's main activity is to lease out property and the group is not party to any material contract in which the group is a lessee, the impact of IFRS 16 has not had any material effect on the group.

7. SUBSEQUENT EVENTS, GOING CONCERN AND COVID-19

Covid-19

The Covid-19 pandemic ("Covid-19") and subsequent lockdown of the economy on 27 March 2020, and particularly, the hospitality sector, has had a profound impact on the group. The group's portfolio comprises 54 hotels operating in the hospitality sector, which is one of the industries that has been impacted negatively as a result of Covid-19.

The measures taken by government to limit the spread of Covid-19 and the resultant inability for travellers to travel internationally and inter-provincially will limit the demand for hotel rooms, which will impact the group's revenue stream significantly for the 2021 financial year. Hotel trading is therefore expected to remain under pressure until the outlook on the South African economy improves.

Although the impact of Covid-19 is expected to have a longer-term impact on the hospitality industry and the group, management is not able to quantify the full impact at the date of this report. It is expected that the recovery of the industry will be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals to spend on hotel accommodation and conferences.

As the group's properties are required to be closed, the inability to generate revenue during the lockdown period, together with the expected slow recovery once the hotels can open and operate, the group will not be able to meet its net debt to EBITDA covenant requirement (and possibly interest cover ratio) in terms of its funding agreements for the measurement period 30 September 2020 and possibly 31 March 2021. The group's gearing levels remain manageable, with the loan-to-value ratio at 26% at 31 March 2020.

Subsequent events

The group's property valuation methodology incorporates the use of the South African Government bond yield 10Y. As at 31 March 2020, the rate applied was 10.50%. As at 26 May 2020, the yield has reduced to 9.01%, however, this would be offset by an increase in the risk premium due to the sentiment and uncertainty in the market. These are considered non-adjusting subsequent events.

7. SUBSEQUENT EVENTS AND COVID-19 IMPACT continued

Going concern

In order to partially reduce the impact of Covid-19 on the group, the following steps have been implemented to preserve cash and to ensure that the group can continue to operate as a going concern:

– capital expenditure programme suspended, with only emergency capital expenditures to be considered;
– waiver from lenders on its net debt to EBITDA covenant requirements for the measurement period 30 September 2020, with the request for waiver of the 31 March 2021 to be considered post 30 September 2020;
– the capitalisation of bank funding interest to the group's revolving credit facilities;
– review of the dividend retention policy;
– the decrease of operating costs, such as salaries and wages through furlough;
– extended payment terms from major creditors; and
– supporting of tenants to ensure their sustainability in terms of the lease agreements in place.

At the date of the annual financial statements, the lenders are not able to provide waivers on the minimum covenant requirements for the measurement period ending 31 March 2021. This will only be considered post 30 September 2020 and management has no reason to believe that the necessary waivers will not be granted.

At year end, cash and undrawn facilities amounted to R691 million, which will provide sufficient liquidity to the group over the next 12 months. Through engagements with the group's lenders, regular updates on operations and cash flow forecasts, lenders have noted their support to the group. Management is of the view that the group will continue to operate as a going concern in a responsible and sustainable manner.

8. COMMITMENTS

Until the impact of the Covid-19 pandemic has been determined, limited capital expenditures will be incurred. At year end, R34 million of capital expenditures was committed and contracted for.

9. SHAREHOLDER APPRAISAL RIGHTS MATTER

On 31 March 2019, the group had a provision for shareholders' redemption of R24 million, which was raised during the 2016 financial year, based on what the board determined as the fair value for the shareholder appraisal rights shares. On 12 June 2019, the High Court of South Africa ("the Court") ruled in the matter between Standard Bank Nominees (RF) Proprietary Limited ("Standard Bank Nominees"), The Standard Bank of South Africa Limited, Nedbank Collective Investments (RF) Proprietary Limited, Nedgroup Investment Advisors Proprietary Limited and Hospitality that the shareholder appraisal rights had not been properly exercised. The Court ordered that Standard Bank Nominees be reinstated as a shareholder and that Hospitality pay Standard Bank Nominees all dividends declared by the company from February 2016 to June 2019. Accordingly, on 7 August 2019, Hospitality paid R10.7 million in dividends to Standard Bank Nominees.

10. RESTRUCTURE

Hospitality underwent an internal restructure effective 1 April 2019, in order to reduce administrative work and costs and to simplify the current structure. This will result in the liquidation of a number of Hospitality's subsidiaries, which includes HPF Management. Staff previously employed by this company were transferred to another wholly owned subsidiary, being HPF Properties Proprietary Limited. All terms of employment remained the same.

Administration

REGISTERED OFFICE
Palazzo Towers West, Montecasino Boulevard
Fourways, South Africa 2055
Tel: +27 11 510 7800

COMPANY SECRETARY
LR van Onselen for HPF Properties Proprietary Limited

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited

SPONSOR
Java Capital

Directors
M von Aulock (Chairman)*, M Ahmed*# (lead independent director), JR Nicolella*,
MR de Lima (CEO), R Erasmus (FD), SC Gina*#, LM Molefi*#, JG Ngcobo*#, C September*#,
L McDonald*

** Non-executive # Independent*

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