

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The interpretations and definitions commencing on page 5 of this circular apply *mutatis mutandis* throughout this document, including on this cover page.

If you are in any doubt as to what action to take, please consult your broker, Central Securities Depository Participant (“CSDP”), banker, accountant, legal advisor or other professional advisor.

Action required

If you have disposed of all your Hospitality linked units, this circular should be handed to the purchaser of such linked units or to the broker, CSDP, banker or other agent through whom the acquisition was effected.

Beneficial linked unitholders who have already dematerialised their linked units through a CSDP or broker who wish to attend the general meeting must request their CSDP or broker to provide them with the necessary authorisation to attend the general meeting or must instruct their CSDP or broker to vote on their behalf in terms of their respective agreements with their CSDP or broker.

Hospitality linked unitholders are referred to page 3 of this circular, which sets out the detailed action required of them in respect of the transaction set out in this circular.

Hospitality does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of dematerialised linked units to notify such linked unitholder of the acquisition set out in this circular.



Hospitality Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE code for A-linked units: HPA ISIN for A-linked units: ZAE000076790

JSE code for B-linked units: HPB ISIN for B-linked units: ZAE000076808

(“Hospitality” or “the company”)

CIRCULAR TO HOSPITALITY LINKED UNITHOLDERS

relating to:

- the proposed acquisition by Hospitality of the property letting and hotel businesses carried on under the name of The Westin Grand Cape Town Arabella Quays Hotel and the Arabella Western Cape Hotel and Spa together with certain properties and the Paulaner Bräuhaus Restaurant and Micro-Brewery business, pursuant to the transaction;

and enclosing:

- a notice of general meeting of Hospitality shareholders;
- a form of proxy to vote at the general meeting of Hospitality shareholders (for use by certificated Hospitality linked unitholders and dematerialised Hospitality linked unitholders who have elected “own-name” registration only).

Lead transaction sponsor and
corporate advisor

JAVACAPITAL

Sponsor



Independent reporting accountants
and auditors



Competition law advisor



Legal advisor to Hospitality

Mkhabela Huntley Adekeye Inc.
Attorneys, Notaries & Conveyancers

Independent property valuer



Date of issue: 28 October 2010

This circular is only available in English. Copies of this circular may be obtained from the registered offices of Hospitality being “3 on Glenhove”, Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196.

CORPORATE INFORMATION

Company secretary and registered office of Hospitality

Rosa van Onselen
HPF Management (Proprietary) Limited
(Registration number 2009/021472/07)
“3 on Glenhove”
Corner Glenhove Road and Tottenham Avenue
Melrose Estate
Johannesburg, 2196

Independent reporting accountants and auditors

KPMG Inc.
(Registration number 1999/021543/21)
KPMG Crescent
85 Empire Road
Parktown, 2196
(Private Bag 9, Parkview, 2122)

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Competition law advisor

Webber Wentzel Attorneys
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

Independent property valuer

Gensec Property Services Limited (trading as JHI)
(Registration number 1987/004302/06)
2 Norwich Close
Sandton, 2196
(Private Bag X45, Benmore, 2010)

Lead transaction sponsor and corporate advisor

Java Capital (Proprietary) Limited
(Registration number 2002/031862/07)
2 Arnold Road
Rosebank
Johannesburg, 2196
(PO Box 2087, Parklands, 2121)

Sponsor

RAND MERCHANT BANK,
(a division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Legal advisor to Hospitality

Mkhabela Huntley Adekeye Inc.
Unit A1 Building A
First Floor, Rutherford Estate
1 Scott Street
Waverley, 2090
(PO Box 1049, Gallo Manor, 2052)

Trustee for Hospitality debenture holders

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
150 West Street
Sandown, 2196
(PO Box 783347, Sandton, 2146)

Place and date of incorporation of Hospitality

Incorporated in South Africa on 10 May 2005

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ACTION REQUIRED BY HOSPITALITY LINKED UNITHOLDERS

The interpretations and definitions commencing on page 5 of this circular apply *mutatis mutandis* to this section.

THE GENERAL MEETING

The implementation of the transaction is subject to, *inter alia*, Hospitality linked unitholders passing the requisite resolutions at the general meeting to be held on Friday, 12 November 2010 at the registered offices of the company at “3 on Glenhove”, Corner Glenhove and Tottenham Avenue, Melrose Estate, Johannesburg, 2196.

Notice convening the general meeting to be held on Friday, 12 November 2010 is attached to and forms part of this circular.

Certificated linked unitholders and dematerialised linked unitholders who have elected “own-name” registration in the sub-register of Hospitality maintained by a CSDP, who are unable to attend the general meeting but who wish to be represented thereat, are requested to complete and return the relevant attached form of proxy in accordance with the instructions contained therein. The duly completed form of proxy must be received by the transfer secretaries by no later than 10:00 on Wednesday, 10 November 2010.

Dematerialised linked unitholders who have not elected “own-name” registration in the sub-register of Hospitality, maintained by a CSDP, and who wish to attend the general meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary letter of representation or equivalent authority to attend.

Dematerialised linked unitholders who have not elected “own-name” registration in the sub-register of Hospitality maintained by a CSDP, and who do not wish to attend the general meeting, must provide their CSDP or broker with their instruction for attendance or voting at the general meeting in the manner stipulated in the agreement between the linked unitholder concerned and the CSDP governing the relationship between such linked unitholder and his CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

Hospitality does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised linked unitholder to notify such linked unitholder of the general meeting or any business to be conducted thereat.

SALIENT DATES AND TIMES

2010

Circular posted on	Thursday, 28 October
Receipt of forms of proxy in respect of the general meeting to be held on Friday, 12 November 2010 by 10:00 on	Wednesday, 10 November
The general meeting to be held at 10:00 on	Friday, 12 November
Results of the general meeting held on Friday, 12 November 2010 published on SENS on	Friday, 12 November
Results of the general meeting held on Friday, 12 November 2010 published in the press on	Monday, 15 November
Anticipated date for implementation of the transaction	Wednesday, 1 December

Notes:

1. All dates and times in this circular are local times in South Africa. The above dates and times are subject to change. Any changes will be released on SENS and published in the press.
2. Hospitality linked unitholders are referred to page 3 of this circular for information on the action required to be taken by them.

INTERPRETATIONS AND DEFINITIONS

In this circular and the annexures hereto, unless inconsistent with the context, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the expressions set out in the first column bear the meaning assigned to them in the second column.

“Act” or “Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“A-debentures”	unsecured subordinated variable rate A debentures in Hospitality having a nominal value of R9.40 each and which are indivisibly linked to A shares in the ratio of one debenture for every one share held;
“A-linked units”	Hospitality A-linked units listed on the JSE, comprising one A-share indivisibly linked to one A-debenture;
“A-shares”	A ordinary share in Hospitality with a par value of R0.001 and which are indivisibly linked to A-debentures in the ratio of one share for every one debenture held;
“AGH”	Arabella Grand Hotel (Proprietary) Limited (Registration number 2000/017358/07), a private company duly incorporated and registered in South Africa;
“AHG”	Arabella Hospitality Group GmbH & Co. KG, a company incorporated in accordance with the laws of Germany, which company is the holding company of ASAH and its subsidiaries;
“Arabella hotels”	collectively, the Westin and AWCHS hotel;
“ASAH”	Arabella South Africa Holding (Proprietary) Limited (Registration number 1983/003653/07), a private company duly incorporated and registered in South Africa, which is the holding company of AGH, AWCHS, Kovacs 458 and River Golf;
“ASAH Phase 2 land”	the remainder of Portion 3 (portion of Portion 2) of the Farm Hermanus River No. 542 in the Overstrand Municipality, Division of Caledon measuring one hundred twenty one comma eighty eight nine two hectares held by ASAH under deed of transfer T98973/1998;
“ASAH Phase 2 Land Sale”	the written sale agreement dated 26 August 2010 concluded between ASAH and HPF Properties in terms of which ASAH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire the ASAH Phase 2 land for a purchase consideration of R4 146 222, payable on the completion date;
“AWCHS”	Arabella Western Cape Hotel and Spa (Proprietary) Limited (Registration number 1998/022634/07), a private company duly incorporated and registered in South Africa;
“AWCHS Business Sale”	means the written sale agreement dated 26 August 2010 concluded between AWCHS and HPF Properties in terms of which AWCHS undertakes to sell to HPF Properties and HPF Properties undertakes to acquire as a going concern the hotel, spa, golf course and leisure business carried on by AWCHS under the name and style of “ <i>Arabella Western Cape Hotel and Spa</i> ” for a purchase consideration of R30 993 475, subject to the relevant adjustment amount, payable on the completion date;
“AWCHS hotel”	the hotel property known as the Arabella Western Cape Hotel and Spa and the Arabella golf course located in Kleinmond, Western Cape;

“AWCHS Rental Enterprise Sale”	the written sale agreement dated 26 August 2010 concluded between ASAH and HPF Properties in terms of which ASAH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire as a going concern the letting enterprise conducted by ASAH in respect of the properties on which the AWCHS hotel is operated by AWCHS for a purchase consideration of R45 134 056, payable on the completion date, plus the relevant adjustment amount, if any, payable on the completion date;
“B-debentures”	unsecured subordinated variable rate B-debentures in Hospitality having a nominal value of R9.40 each and which are indivisibly linked to B-shares in the ratio of one debenture for every one debenture held;
“B-linked units”	Hospital B-linked units listed on the JSE comprising one B-share indivisibly linked to one B-debenture;
“B-shares”	B ordinary shares in Hospitality with a par value of R0.0001 and which are indivisibly linked to B-debentures in the ratio of one share for every one debenture held;
“Birchwood Hotel Management company”	The Birchwood Management Company (Proprietary) Limited (Registration number 2001/011990/07), a private company duly incorporated and registered in South Africa;
“board” or “directors”	the board of directors of Hospitality as set out on page 15 of this circular;
“break fee”	the fee payable (including VAT) by either the Sellers or by HPF Properties, as the case may be, depending on who is liable therefore, determined as the costs incurred by the Sellers or by HPF Properties, calculated from 19 February 2010 to date of termination of the transaction and comprising corporate, legal and other advisors fees and disbursements, airfares, accommodation, car hire and other travel expenses, wasted conveyancing fees and hedging costs (should the break fee be payable by HPF Properties);
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“C-Corp”	Majormatic 194 (Proprietary) Limited (Registration number 2005/041011/07), a private company duly incorporated and registered in South Africa;
“C-Corp lease agreements”	lease agreements with C-Corp in terms of which a portion of the rental is a fixed escalating rental and the balance is a variable rental equivalent to 90% of the EBITDA earned by C-Corp from the hotels (after deducting the fixed lease payments);
“Catalyst”	Catalyst Fund Managers (Proprietary) Limited (Registration number 2000/003433/07), a private company duly incorporated and registered in South Africa and one of the underwriters of the rights offer;
“certificated linked unitholders”	Hospitality linked unitholders who hold certificated linked units;
“certificated linked units”	Hospitality linked units which have not yet been dematerialised into the Strate system, title to which is represented by linked unit certificates or other physical documents of title;
“Champagne Sports Resort”	Champagne Sports Resort (Proprietary) Limited (Registration number 1998/020306/07), a private company duly incorporated and registered in South Africa;
“the/this circular” or “document”	all documents and annexures bound herein, dated 28 October 2010 including the notice of the general meeting and the form of proxy;
“City Lodge”	City Lodge Hotels Limited (Registration number 1986/002864/06), a public company duly incorporated and registered in South Africa and listed on the JSE;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;

“Competition Authorities”	the Competition Commission of South Africa and/or the Competition Tribunal of South Africa and/or the Competition Appeal Court of South Africa, being regulatory and/or judicial authorities established in terms of the Competition Act, 1998 (Act 89 of 1998), as amended;
“completion date”	the time and date upon which the simultaneous registration of the deeds office transactions occurs at the Deeds Office;
“conditions precedent”	the remaining conditions precedent to which the transaction is subject as at the last practicable date, as set out in paragraph 3.3 of this circular;
“Convenco”	The Cape Town International Convention Centre Company (Proprietary) Limited (Registration number 1999/007837/07), a private company duly incorporated and registered in South Africa;
“Convenco Sub-Lease”	the Notarial Deed of Sublease between ASAH and Convenco executed on 3 September 2010 and registered on 21 September 2010, Cape Town Deeds Registry number K862/2010L, in terms of which ASAH sub-leases the WG property from Convenco for an initial period of 50 years commencing on 1 August 2003 with an option to renew for a further period of 20 years. The monthly rental payable in terms of the Convenco Sub-Lease is calculated based on the provisional monthly rental revenue arising from the operations conducted by ASAH on the WG property for the relevant rental month adjusted annually after determination of the final gross revenue for the trading year, together with such other rates, levies and charges as set out in the agreement governing the Convenco Sub-Lease. On termination of the Convenco Sub-Lease, the leased premises together with the hotel known as the Westin are to be returned to Convenco (as sub-lessor) without remuneration therefore. For the duration of the sub-lease ASAH is restrained from carrying on or being involved in any entity providing conferencing or banqueting facilities within a 25 kilometre radius of the WG property;
“Coronation”	Coronation Asset Management (Proprietary) Limited (Registration number 1993/002807/07), a private company duly incorporated and registered in South Africa and one of the underwriters of the rights offer;
“CSDP”	Central Securities Depository Participant;
“CTICC”	Cape Town International Convention Centre, situated adjacent to and adjoining the Westin;
“Deeds Office”	collectively, the office of the Registrar of Deeds at Cape Town and the office of the Registrar of Deeds at Johannesburg;
“deeds office transactions”	collectively, the registration of the assignment of the Convenco Sub-Lease to HPF Properties; registration of the first general covering mortgage bond over the Convenco Sub-Lease in favour of Nedbank as security for HPF Properties’ indebtedness to Nedbank for the Nedbank loan; registration of the transfer of the immovable properties, the Phase 2 properties and the River Golf property to HPF Properties; registration of the transfer of Portion 268 (Portion of portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of Western Cape to the HOA, registration of the cancellation of the existing bonds over certain of the immovable properties and general notarial bonds, respectively, in favour of the IDC and registration of a first continuing covering mortgage bond by HPF Properties in favour Nedbank over portion 273 of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the province of the Western Cape (the property on which the AWCHS hotel is situated);
“dematerialised linked unitholders”	Hospitality linked unitholders who hold dematerialised linked units;
“dematerialised linked units”	Hospitality linked units which have been incorporated into the Strate system, title to which is no longer represented by linked unit certificates or other physical documents of title;
“Devco”	Hospitality Hotel Developments (Proprietary) Limited, (Registration number 2005/040847/07), a private company duly incorporated and registered in South Africa;

“Dormell”	Dormell Properties 540 (Proprietary) Limited (Registration number 2005/031726/07), a private company duly incorporated and registered in South Africa;
“Dormell Share Sale”	the written sale agreement dated 26 August 2010 and concluded between ASAH and HPF Properties in terms of which ASAH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire the whole of ASAH’s shareholding and loan account in Dormell for a purchase consideration of R425 000, payable on the completion date, entitling the holder to a fractional ownership in a unit on the golf course at the AWCHS hotel;
“EBITDA”	earnings before interest, tax, depreciation and amortisation;
“Extrabold”	Extrabold Hotel Management Company (Proprietary) Limited (formerly Hospitality Hotel Management company (Proprietary) Limited) (Registration number 2005/035989/07), a private company duly incorporated and registered in South Africa;
“F&V lease agreements”	lease agreements with operators entered into in respect of the properties known as the Inn on the Square and the Protea Hotel Edward, where the rental comprises approximately 50% fixed lease rental with the remainder being 100% of EBITDA after deducting the fixed lease rental;
“fixed lease agreements”	lease agreements with operators entered into in respect of the properties known as Birchwood Hotel and Conference Centre, Champagne Sports Resort, Kopanong Hotel and Conference Centre and the Premier King David, where the rental does not contain a variable portion of rental, such as with the lease agreements with C-Corp;
“general meeting”	the general meeting of Hospitality shareholders to be held at 10:00 on Friday, 12 November 2010 at the registered offices of Hospitality (“3 on Glenhove”, Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196);
“guarantees”	collectively, the Nedbank Guarantee (Bond Facility), the Nedbank Guarantees (Rights Offer Proceeds) and the Nedbank Guarantee (to the IDC);
“GPAM”	Grapnel Property Asset Managers (Proprietary) Limited (Registration number 2004/032976/07), a private company duly incorporated and registered in South Africa and a wholly-owned subsidiary of GPG;
“GPG”	Grapnel Property Group (Proprietary) Limited (Registration number 1999/021789/07), a private company duly incorporated and registered in South Africa;
“HOA”	Arabella Country Estate Home Owners Association (Registration number 1999/005542/08), an association registered under section 21 of the Companies Act 61;
“HOA agreement”	the agreement between amongst others ASAH, the HOA and Kovacs 458 which provides for various common issues including the transfer of certain common areas to the HOA, lease of certain areas, supply of bulk services to the HOA from the Phase 2 land and the grant of reciprocal servitudes;
“Hospitality” or “company”	Hospitality Property Fund Limited (Registration number 2005/014211/06), a public company duly incorporated and registered in South Africa and listed on the JSE;
“Hospitality A-linked unitholders”	the registered holders of A-linked units;
“Hospitality B-linked unitholders”	the registered holders of B-linked units;
“Hospitality debentures”	collectively, the A-debentures and the B-debentures;
“Hospitality debenture holders”	the registered holders of Hospitality debentures;

“Hospitality debenture trust deed”	the trust deed (including any supplemental trust deeds thereto) recording the terms governing the Hospitality debentures;
“Hospitality debenture trustee”	the trustee from time to time for the Hospitality debenture holders appointed in terms of the Hospitality debenture trust deed, being Edward Nathan Sonnenbergs Inc. as at the last practicable date;
“Hospitality group” or “group”	collectively, Hospitality and its subsidiaries;
“Hospitality linked unitholders” or “linked unitholders”	collectively, the Hospitality A-linked unitholders and the Hospitality B-linked unitholders;
“Hospitality linked units” or “linked units”	collectively, the A-linked units and the B-linked units;
“Hospitality Manco”	Hospitality Property Fund Managers (Proprietary) Limited (Registration number 2005/035257/07), a private company with limited liability duly incorporated and registered in South Africa;
“Hospitality Manco internalisation”	the acquisition by Hospitality of all the issued shares of and shareholders’ claims against Hospitality Manco and the issue of linked units for cash to fund the acquisition, further details of which are set out in the circular to Hospitality linked unitholders dated 1 October 2009;
“Hospitality property portfolio” or “the property portfolio”	Hospitality’s portfolio of 24 hotel and resort properties in South Africa, details of which are set out in Annexure 6 ;
“Hospitality register”	Hospitality’s linked unit register, including all sub-registers;
“Hospitality shares” or “shares”	collectively, A-shares and B-shares;
“Hospitality shareholders” or “shareholders”	the registered holders of Hospitality shares;
“hotel operators”	entities which operate the hotel businesses on behalf of Hospitality’s tenants, further details of which are set out in Annexure 7 ;
“HPF Management”	HPF Management (Proprietary) Limited (formerly Vexicure (Proprietary) Limited) (Registration number 2009/021472/07), a private company duly incorporated and registered in South Africa and a wholly-owned subsidiary of Hospitality;
“HPF Properties”	HPF Properties (Proprietary) Limited (Registration number 2005/020743/07), a private company duly incorporated and registered in South Africa and a wholly-owned subsidiary of Hospitality;
“HTLAM”	Hotel Tourism and Leisure Asset Management (Proprietary) Limited (formerly Horwath Tourism & Leisure Consulting (Proprietary) Limited) (Registration number 2005/016280/07), a private company duly incorporated and registered in South Africa;
“IDC”	the Industrial Development Corporation of South Africa Limited (Registration number 1940/014201/06), a public company duly incorporated and registered in South Africa;
“IFRS”	International Financial Reporting Standards;
“Implementation Agreement”	the agreement dated 26 August 2010 entered into between ASAH, AGH, AWCHS, Kovacs 458, River Golf, AGH, Hospitality and HPF Properties on 26 August 2010 (as amended by the first addendum dated 5 October 2010) in order to give effect to the parties’ intention that the transaction agreements all become valid and effective at the same time or that none of the transaction agreements become valid and effective. Furthermore it regulates payment of the total purchase consideration by HPF Properties to and receipt thereof in full by ASAH in discharge of HPF Properties’ obligations to pay and the corresponding right by the Sellers to receive the relevant purchase considerations;

“immovable properties”	the remainder of Portion 3 (portion of Portion 2) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape; Portion 51 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape; Portion 52 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality Division of Caledon in the Province of the Western Cape; Portion 265 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape; Portion 268 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape; Portion 269 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon; Portion 273 of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape; the remainder of Portion 274 of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape and Portion 290 of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape;
“independent property valuer” or “JHI”	Gensec Property Services Limited trading as JHI (Registration number 1987/004302/06), a private company duly incorporated and registered in South Africa;
“independent reporting accountants”	KPMG Inc. (Registration number 1999/021543/21), a limited partnership duly incorporated and registered in South Africa;
“Investec”	Investec Asset Management (Proprietary) Limited (Registration number 1984/011235/07), a private company duly incorporated and registered in South Africa;
“Java Capital”	Java Capital (Proprietary) Limited (Registration number 2002/031862/07), a private company duly incorporated and registered in South Africa;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“King Code”	the Code of Corporate Practices and Conduct in South Africa representing principles of good corporate governance as laid out in the King Report, as amended from time to time;
“Kopanong Hotel and Conference Centre”	Kopanong Hotel and Conference Centre (Proprietary) Limited (Registration number 1995/009664/07), a private company duly incorporated and registered in South Africa;
“Kovacs 458”	Kovacs Investments 458 (Proprietary) Limited (Registration number 2002/002355/07) a private company duly incorporated and registered in South Africa;
“Kovacs land”	means Portion 1 of the farm Hermanus River 542 in the Overstrand Municipality Division of Caledon in the Province of the Western Cape measuring three hundred and five comma one nine four hectares and held by deed of transfer T50680/2002, together with the buildings and improvements thereon;
“Kovacs Rental Enterprise Sale”	the sale agreement dated 26 August 2010 concluded between Kovacs and HPF Properties in terms of which Kovacs 458 undertakes to sell to HPF Properties and HPF Properties undertakes to acquire as a going concern, the rental enterprise conducted by Kovacs 458 on the Kovacs land for a purchase consideration of R17 029 599, payable on the completion date;
“last practicable date”	Tuesday, 19 October 2010 being the last practicable date prior to the finalisation of the circular;

“Listings Requirements”	the JSE Listings Requirements, as amended from time to time;
“m²”	square meters;
“Management Services Business Sale”	the sale agreement dated 26 August 2010 concluded between ASAH and HPF Properties in terms of which ASAH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire its head office management services division as a going concern together with the assets comprising such division for a purchase consideration of R1, payable on the completion date, plus the relevant adjustment amount, if any, payable on the completion date;
“Metope Investment Holdings”	Metope Investment Holdings (Proprietary) Limited (Registration number 2004/005087/07), a private company duly incorporated and registered in South Africa;
“Nedbank”	Nedbank Limited (Registration number 1951/000009/06), a public company duly incorporated and registered in South Africa;
“Nedbank bond”	the first covering mortgage bond to be registered by HPF Properties in favour of Nedbank over HPF Properties’ rights as sub-tenant in terms of the Convenco Sub-Lease on registration of the assignment of the Convenco Sub-Lease from ASAH to HPF Properties on the completion date as security for the Nedbank Loan;
“Nedbank Guarantee (Bond Facility)”	means the executed Nedbank guarantee in an amount of R214 000 000 payable on the registration of the deeds office transactions, which guarantee is subject to the same conditions as the Nedbank Guarantees (Rights Offer Proceeds);
“Nedbank Guarantees (Rights Offer Proceeds)”	means an executed Nedbank guarantee for an amount of R300 000 000 and an executed Nedbank guarantee for an amount of R15 285 412, which guarantees are payable to the conveyancers immediately prior to the registration of the deeds office transactions being effected and which guarantees are subject to the conditions precedent being fulfilled or waived and receipt by Nedbank of R315 285 412 from the proceeds of the rights offer;
“Nedbank Guarantee (to the IDC)”	the executed Nedbank guarantee in an amount of R186 000 000, payable to the IDC against the cancellation of the existing IDC notarial bonds and mortgage bonds over certain of the immovable properties and on the registration of the deeds office transactions, which guarantee is subject to the same conditions as the Nedbank Guarantees (Rights Offer Proceeds);
“Nedbank loan”	the loan granted by Nedbank to HPF Properties for a principal amount of R400 million to be secured by the Nedbank bond;
“Nobuntu Investments”	Nobuntu Investments (Proprietary) Limited (Registration number 2005/034642/07), a private company duly incorporated and registered in South Africa;
“Nobuntu Investments II”	Nobuntu Investments (Proprietary) Limited (Registration number 2006/031005/07), a private company duly incorporated and registered in South Africa;
“Old Mutual”	Old Mutual (South Africa) Limited (Registration number 1998/012276/06), a public company duly incorporated and registered in South Africa;
“own-name dematerialised linked unitholders”	dematerialised linked unitholders who/which have elected own-name registration;
“Paulaner business”	the restaurant and micro-brewery business carried on by ASAH under the name and style of “ <i>Paulaner Bräuhaus</i> ” at the V&A Waterfront, Foreshore, Cape Town;
“Paulaner Business Sale”	the written sale agreement dated 26 August 2010 between ASAH and HPF Properties in terms of which ASAH undertakes to sell and HPF Properties undertakes to acquire as a going concern the Paulaner business for a purchase consideration of R1 plus the relevant adjustment amount, if any, payable on the completion date;

“Phase 2 land”	collectively, the Kovacs land and the ASAH Phase 2 land;
“Premier Hotels & Resorts International”	Premier Hotels and Resorts (Proprietary) Limited (Registration number 1991/000698/07), a private company duly incorporated and registered in South Africa;
“Protea Hotels”	Protea Hospitality Group (Proprietary) Limited (Registration number 2007/016229/07), a private company duly incorporated and registered in South Africa;
“R” or “Rand”	South African Rand;
“relevant adjustment amount”	the portion of the positive or negative sum of, if any, the working capital adjustments arising out of the netting off of the trade debtors and creditors of the businesses conducted in respect of the Arabella hotels and the Paulaner business and certain other debtors and creditors of the ASAH group, the stock take in respect of the stock, operating systems and equipment owned and utilised in connection with the respective businesses of the Arabella hotels and the Paulaner business, as provided in the transaction agreements and the capital expenditure adjustments in terms of the Implementation Agreement;
“The Rezidor Hotel Group”	The Rezidor Hotel Group, a company incorporated and registered in Belgium;
“rights offer”	the raising of capital of R490 million by way of an offer by Hospitality to: • Hospitality A-linked unitholders to subscribe for 31.0492 rights offer A-linked units for every 100 A-linked units held by them on Friday, 22 October 2010; and • Hospitality B-linked unitholders to subscribe for 31.0492 rights offer B-linked units for every 100 B-linked units held by them on Friday, 22 October 2010;
“River Golf”	The River Golf Company (Proprietary) Limited (Registration number 198/004412/07), a private company incorporated and registered in South Africa;
“River Golf Land Sale”	the written sale agreement dated 26 August 2010 between River Golf and HPF Properties in terms whereof River Golf undertakes to sell to HPF Properties and HPF Properties undertakes to acquire the River Golf property for a purchase consideration of R1 937 678 payable on the completion date;
“River Golf property”	Portion 88 (portion of Portion 4) of the Farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape measuring 688m ² , held by River Golf in terms of deed of transfer T32918/1999 and all buildings and improvements thereon, comprising a sales office for the housing estate on the golf course of the AWCHS hotel;
“Seller” or “Sellers” or “Sellers’ group”	depending on the context individually or collectively, ASAH, AGH, AWCHS, Kovacs 458 and River Golf;
“SENS”	the Securities Exchange News Service, the news service operated by the JSE;
“share block”	a share block in a share block scheme in terms of the Share Blocks Control Act, 1980 (Act 59 of 1980), as amended;
“South Africa”	the Republic of South Africa;
“Stanlib”	Stanlib Asset Management Limited (Registration number 1969/002753/06), a public company duly incorporated and registered in South Africa and one of the underwriters of the rights offer;
“star grading”	a subjective interpretation of the facilities and services provided by each of the properties in Hospitality’s property portfolio, as they would likely to be graded internationally;

“Starwood”	collectively: • Starwood Hotels and Resorts Worldwide, Inc. a Maryland corporation; and • Starwood EAME Licence and Service Company BVBA, a Belgian private limited liability company have its registered offices located at Rue Brederode 2-6, B-1000 Brussels, Belgium;
“Strate”	Strate Limited (Registration number 1998/022242/06), a limited liability public company duly incorporated and registered in South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
“total purchase consideration”	the aggregate amount payable to the Sellers in terms of the transaction agreements namely R741.2 million;
“trademark license agreement”	the agreement dated 26 August 2010 between AHG as the licensor and HPF Properties as the licensee whereby the licensor grants to the licensee the right to use the trademarks “Arabella” and “Arabella Golf” in respect of the AWCHS hotel for a period of 10 years;
“transaction”	the acquisition of the Arabella hotels, the ASAH head office management services, the Paulaner business, the shares and claims in Dormell, the Phase 2 land and the River Golf property, respectively, as an indivisible transaction as contained in the transaction agreements;
“transaction agreements”	the agreements entered into in order to give effect to the acquisition by HPF Properties of the Arabella hotels, the ASAH head office management services, the Paulaner business, the shares and claims in Dormell, the Phase 2 land and the River Golf property, namely the ASAH Phase 2 Land Sale, the AWCHS Business Sale, the AWCHS Rental Enterprise sale, the Dormell Share Sale, the Kovacs Rental Enterprise Sale, the trademark license agreement, the Management Services Business Sale, the Paulaner Business Sale, the River Golf Land Sale, the Westin Grand Rental Enterprise Sale, the Westin Grand Hotel Business Sale and the Implementation Agreement;
“transfer secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company duly incorporated and registered in South Africa;
“underwriters”	collectively, Coronation, Stanlib and Catalyst;
“underwriting agreements”	the underwriting agreements dated 12 August 2010, 13 August 2010 and 14 August 2010, amended on 7 September 2010, 9 September 2010 and 13 September 2010 and concluded between Hospitality (on the one hand) and Coronation, Stanlib and Catalyst (on the other hand) in terms of which the underwriters have: • irrevocably undertaken to follow their rights under the rights offer at an aggregate subscription price of R177.1 million; and • agreed to underwrite the balance of R312.9 million of the rights offer;
“variable lease agreements”	variable lease agreements, which are based on EBITDA, with operators covering the properties in the Courtyard portfolio;
“VAT”	value added taxation, in terms of the Value Added Tax Act (Act 89 of 1991), as amended;
“Vexicure”	Vexicure (Proprietary) Limited (Registration number 2009/017870/07), a private company incorporated and registered in South Africa;
“Westin”	the hotel and spa business carried on under the name and style of “ <i>Westin Grand Cape Town Arabella Quays hotel</i> ” by AGH on the hotel improvements on the WG property;

“Westin Grand Hotel Business Sale”	the written sale agreement dated 26 August 2010 entered into between AGH and HPF Properties in terms of which AGH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire, as a going concern, the Westin for a purchase consideration of R118 632 773, subject to the relevant adjustment amount, payable on the completion date;
“Westin Grand Rental Enterprise Sale”	the written agreement dated 26 August 2010 concluded between ASAH and HPF Properties in terms of which ASAH undertakes to sell to HPF Properties and HPF Properties undertakes to acquire as a going concern the letting enterprise conducted by ASAH in respect of the WG property which it has sub-leased to AGH, for a purchase consideration of R496 986 607, payable on the completion date; and
“WG property”	Lease Area No. 3 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape in extent 3513 m², as indicated on diagram SG No. 586/2010; 1. Lease Area No. 4 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 4869 m², as indicated on diagram SG No. 588/2010; 2. Lease Area No. 5 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 4869 m², as indicated on diagram SG No. 588/2010; 3. Lease Area No. 6 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 4425 m², as indicated on diagram SG No. 589/2010; 4. Lease Area No. 7 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 3736 m², as indicated on diagram SG No. 590/2010; 5. Lease Area No. 8 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 3364 m², as indicated on diagram SG No. 591/2010; 6. Lease Area No. 9 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 808 m², as indicated on diagram SG No. 592/2010; 7. Lease Area No. 10 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 1569 m², as indicated on diagram SG No. 593/2010; 8. Lease Area No. 11 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 1661 m², as indicated on diagram SG No. 594/2010; 9. Lease Area No. 12 (portion of Lease Area No. 2) over Erf 263 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, in extent 1774 m², as indicated on diagram SG No. 595/2010; all leased by Convenco from the City of Cape Town in terms of the Notarial Lease executed on 2 September 2010 and registered on 21 September 2010, Cape Town Deeds Registry number K861/2010L, which in turn has been sub-leased by Convenco to ASAH in terms of the Convenco Sub-Lease, together with all improvements thereon.



Hospitality Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE code for A-linked units: HPA ISIN for A-linked units: ZAE000076790

JSE code for B-linked units: HPB ISIN for B-linked units: ZAE000076808

("Hospitality" or "the company")

Directors of Hospitality

Executive directors

G A Nelson (*Chief Executive Officer*)

A S Rogers (*Deputy Chief Executive Officer*)

R Asmal (*Financial Director*)

Independent non-executive directors

F M Berkeley (*Chairman*)

K H Abdul-Karrim

Z N Kubukeli

M B Madumise

W C Ross

Non-executive directors

Y Aminzadeh

W J Midgley

CIRCULAR TO HOSPITALITY LINKED UNITHOLDERS

1. INTRODUCTION

- 1.1 It was announced on SENS on 31 August 2010 and in the press on 1 September 2010 that Hospitality and HPF Properties had concluded agreements for the acquisition of the Westin (including the Paulaner business) and AWCHS hotel as well as certain other properties from the Sellers. The total purchase consideration will be an amount of R741.2 million which includes approximately R26 million of working capital liabilities of the Arabella hotels which will be assumed by HPF Properties.
- 1.2 The purpose of this circular is to provide Hospitality linked unitholders with information regarding the transaction and to convene a general meeting of Hospitality shareholders to be held at 10:00 on Friday, 12 November 2010 at the registered offices of Hospitality ("3 on Glenhove", Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196) to consider and if deemed fit, pass with or without modification, the resolutions contained in the Notice of General meeting attached to this circular.

2. DETAILS OF THE BUSINESSES TO BE ACQUIRED

- 2.1 Hospitality, which was incorporated on 10 May 2005, is a property loan stock company, which invests in properties in the hotel and leisure industries and is listed on the JSE in the "Financial Services – Real Estate" sector. The company was established with the aim of offering linked unitholders an investment vehicle with exposure to the hospitality sector through the ownership of hotel and leisure properties. The company's assets currently consist of investments in 24 hotel and resort properties in South Africa, and is highly diversified in terms of geographic location, star grading, fixed and variable income and market mix.
- 2.2 AHG is seeking to liquidate all assets held by it in non-European jurisdictions and Hospitality considered it to be an opportune time to acquire the Arabella hotels.

The Westin

- 2.3 The Westin was opened in August 2003 and is a 5-star business and conferencing hotel situated in Cape Town's business district with direct connectivity to the CTICC and in close proximity to the entrance of the V&A Waterfront. It has a sub-lease for the hotel in terms of the Convenco Sub-Lease.

- 2.4 The Westin comprises of some 483 keys, significant conference and food and beverage facilities and 170 parking bays.
- 2.5 It has two principle restaurants, a bar and a cigar lounge. Interlinked with the CTICC, the Westin offers the largest and most comprehensive conference and banqueting facilities in Cape Town, featuring in total 11 multimodal rooms and a lobby shared with CTICC on two floors. The Grand Ballroom is the largest room accommodating up to 600 persons (theatre style).
- 2.6 Other facilities include the award winning Arabella Spa with 18 treatment rooms, an indoor heated swimming pool and the Westin Kids Club.
- 2.7 Subject to the conclusion of management agreements with Starwood, Starwood will manage the Westin for a period of 27 years. The management agreements are subject to certain performance criteria being met by Starwood from time to time.
- 2.8 It is intended that the Westin will be sub-leased by HPF Properties to Vexicure in which HPF Properties will hold up to 19.9% of the issued shares of Vexicure with the balance of the issued shares being held by Pan African Capital Holdings (Proprietary) Limited and (potentially) a staff incentive trust. The terms of the sub-sub-lease with Vexicure will provide that 50% of the projected revenue on which the rental is based will be fixed while the remaining 50% will be variable and should equate to 95% of the Westin's EBITDA after deduction of the fixed portion. Vexicure will employ the staff at the Westin and will appoint Starwood to manage the Westin. HPF Properties as a shareholder of Vexicure will guarantee the performance of its obligations to Starwood, and the other major shareholder will either grant Starwood a similar guarantee or indemnity HPF Properties against claims *pro rata*.

The AWCHS hotel

- 2.9 The AWCHS hotel is a 5-star hotel featuring 145 guestrooms and suites, substantial banqueting facilities, several restaurants and bars, a renowned spa and one of the most acclaimed golf courses in South Africa. The resort is located on the Arabella Country Estate, 155km from Cape Town, and has established itself as one of the leading resort hotels in South Africa since its opening in 2001.
- 2.10 The AWCHS hotel's food and beverage amenities comprise of two principle restaurants, two bars and one cigar lounge. The Première Restaurant offers a fine dining experience with modern South African cuisine and provides for 40 seats. The Jamani Restaurant provides inside-seating for 110 guests and 40 seats on the terrace.
- 2.11 Its banqueting facilities, the Kogelberg Conference Centre, can accommodate up to 360 people (theatre style) and offers sub-divisible premises for business meetings and banquets. Additionally, 5 high-tech equipped boardrooms for meetings and small conferences form part of the business and conference centre.
- 2.12 The spa has recently been renovated and reopened as a branded Arabella Spa in 2007. Comprising 1,650 m², it includes treatment rooms, a heated indoor hydropool, heated outdoor lap pool, rain forest experience, sauna, steam room and well-equipped gym.
- 2.13 The Arabella Golf Course has been commended by industry media since its opening; amongst others it received the Golf Digest 2001 award 'Best New Golf Course in South Africa'. The course was designed by renowned golf course architect Peter Matkovich.
- 2.14 The management of the AWCHS hotel has been offered on tender to a number of the leading hotel managers in South Africa and an appointment should be made before the completion date.
- 2.15 In order to facilitate the transaction, HPF Properties has agreed to acquire, in addition to the Arabella hotels, certain ancillary concerns and properties namely:
 - 2.15.1 as part of the AWCHS portion of the transaction, the Phase 2 land which is situate adjacent to the AWCHS hotel and golf course, and on which certain services and utilities integral to the AWCHS hotel and golf course are based, the shares in and claims against Dormell and the River Golf property. The Phase 2 land is in the process of being rezoned with rights to develop a second golf course. However, management will assess all development options for the Phase 2 land after the completion date and determine how best to proceed. In terms of the HOA agreement, the ASAH Phase 2 land is encumbered with servitudes in favour of the HOA so as to ensure that HOA enjoys the use of and access to such services;

- 2.15.2 the head office management services division as a going concern. This is not material in the context of the transaction; and
- 2.15.3 the Paulaner business as a going concern (this is also not material in the context of the transaction and management will assess the Paulaner business after the completion date and determine its future).

3. TERMS OF THE TRANSACTION

- 3.1 The transaction agreements together constitute an indivisible sale of the Arabella hotels and certain ancillary businesses held by AGH.
- 3.2 The total purchase consideration payable to the Sellers in terms of the transaction agreements shall be settled by HPF Properties –
 - 3.2.1 procuring that Nedbank pays for and on behalf of HPF Properties to the Conveyancer for and on behalf of the relevant Seller –
 - 3.2.1.1 an amount equal to the guaranteed sum as defined in the Nedbank guarantee (Bond Facility) (“**bond facility payment**”); and
 - 3.2.1.2 an amount equal to the guaranteed sums as defined in each of the Nedbank guarantees (Rights Offer Proceeds) (“**rights offer proceeds payment**”);
 - 3.2.2 to the IDC as settlement of an amount due and payable by ASAH to the IDC under the IDC loans an amount (“**IDC payment**”) equal to the guaranteed sum as defined in the Nedbank guarantee (to the IDC); and
 - 3.2.3 assuming approximately R26 million of working capital liabilities of the Arabella hotels.
- 3.3 The transaction is subject to fulfilment or waiver (where applicable) of various conditions precedent, a number of which have already been fulfilled, including obtaining the approval of the Competition Authorities in terms of the Competition Act, 1998 (Act 89 of 1998). However, the following conditions precedent remain to be fulfilled:
 - 3.3.1 the shareholders of Hospitality approving in a general meeting the requisite resolutions for the implementation of the transaction pursuant to the Listings Requirements;
 - 3.3.2 the obtaining of various third party approvals required pursuant to existing leases and sub-leases, including the approval of Convenco to the assignment of the tenant’s rights in terms of the Convenco Sub-Lease to HPF Properties, as well as the conclusion of new leases with the operators of the Arabella hotels on or before 12 November 2010 which date may be extended to 2 January 2011 and which conditions may be waived by HPF Properties or may be deemed to be waived in certain circumstances; and
 - 3.3.3 the signature of the Starwood Management Agreements for the management and licensing of the Westin on or before 29 October 2010, or such later date as may be agreed. This condition is in favour of the Sellers and may be waived by them.
- 3.4 The transaction agreements provide, *inter alia*, that:
 - 3.4.1 if the guarantees are revoked for any reason and are not replaced within the applicable cure period; or
 - 3.4.2 if the Hospitality shareholders do not approve the transaction in the general meeting,

then the Sellers’ only recourse is to claim the break fee plus a penalty of 100% of such costs, and in the case of paragraph 3.4.1, cancel the transaction agreements. The terms of the guarantees provide that the guarantees may be revoked if the rights offer fails to raise at least R316 million. However, given the combination of the commitments by the underwriters to follow their rights in terms of the rights offer and the underwriting of the rights offer by the underwriters (which has the effect that the rights offer will be fully subscribed for), this eventuality is addressed. The Nedbank loan is subject to Convenco and the City of Cape Town agreeing to certain lender protection provisions with Nedbank.
- 3.5 If the Sellers are not able to obtain any of the requisite third party consents referred to in paragraph 3.3.2 above, and the transaction agreements fail, then HPF Properties’ only recourse is to claim the break fee.
- 3.6 AHG has stood surety for the obligations of the ASAH group and Hospitality has stood surety for the obligations of HPF Properties, respectively, in terms of the transaction agreements.

- 3.7 The transaction agreements contain warranties normal for acquisitions of this nature. The Sellers have not guaranteed the book debts in the transaction agreements but the normal bad debt provisions applied historically in respect to the Arabella hotels will be applied in the preparation of the adjustment accounts, from which the amounts of the working capital adjustments are to be determined.
- 3.8 The transaction agreements do not preclude the Sellers from carrying on business in competition with the Hospitality group in South Africa. However, as the Sellers are disinvesting from South Africa, it was not considered necessary to obtain such an undertaking.
- 3.9 The Sellers retain liability for accrued taxation, as well as any interest or penalties in respect of such taxation incurred by the Sellers.
- 3.10 No promotor or director had any beneficial interest, direct or indirect, in the transaction.
- 3.11 No cash or securities have been paid or benefit given to any promoter, not being a director, within the three years preceding the date of this circular.
- 3.12 None of the assets acquired pursuant to the transaction agreements will be ceded or pledged as at the completion date, save for the Nedbank bond.
- 3.13 Further information in respect of the Sellers is contained in **Annexure 10**.

4. RATIONALE, PROSPECTS, OPINION AND RECOMMENDATION

- 4.1 The Arabella hotels are being acquired at a very favourable price, which is at a substantial discount to the independent property valuer's valuation (see paragraph 7 below) and which is well below the insured replacement value.
- 4.2 It is the directors' opinion that the transaction is expected to provide an additional underpin to the preferential distribution rights of Hospitality A-linked unitholders and contribute to growth in distributions for Hospitality B-linked unitholders.
- 4.3 In addition, the AWCHS hotel has the potential to add to growth in distributions to B-linked unitholders over time, including through the development and/or disposal of the Phase 2 land.
- 4.4 The first 10 days of the 2011 financial year continued to derive benefit from the FIFA World Cup 2010 event as the majority of Hospitality's room inventory was sold for this period. For the remainder of the financial year the directors are of the opinion that trading conditions will remain challenging due to the increased room supply and cautious corporate, conference and leisure travel spend.
- 4.5 In addition to the transaction, the company is presently considering a number of new acquisitions that have come onto the market, some of which are unique and highly sought after properties. As a result of the distressed trading conditions and partly due to the recent overzealous development initiatives, prices are expected to remain favourable.
- 4.6 The directors are of the opinion that the existing portfolio, the bulk of which is newly refurbished, together with the transaction supported by more streamlined management and lease structures, should see the group well-positioned to take maximum advantage of a recovery in the economy.
- 4.7 The directors intend voting the linked units held or controlled by them in favour of the resolutions necessary to implement the transaction and recommend that linked unitholders vote in favour of the resolutions necessary to implement the transaction.
- 4.8 The JSE has required that the votes to be cast by Mr W J Midgley in respect of the linked units held, directly and indirectly, by him should be excluded from the voting, due to the quantum of the legal fees payable to Mkhabela Huntley Adekeye Inc./W Midgley Consulting being significant relative to the overall transaction costs. Refer to paragraph 21 of the circular which sets out the expected costs of the transaction.

5. GENERAL MEETING

- 5.1 A general meeting of Hospitality shareholders will be held at 10:00 on Friday, 12 November 2010 at the registered offices of the company at “3 on Glenhove”, Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196 to consider and, if deemed fit, pass the proposed resolutions necessary to implement the transaction.
- 5.2 Details of the action required by Hospitality linked unitholders are set out on page 3 of this circular.

6. FINANCIAL INFORMATION

6.1 Profit forecasts

Set out below are the profit forecasts (“**the profit forecasts**”) of the Arabella hotels for the 7 months ending 30 June 2011 and the year ending 30 June 2012 (“**the forecast periods**”). The profit forecasts have been prepared on the assumption that the transaction will be implemented on 1 December 2010 and on the basis that the profit forecasts include forecast results for the forecast periods.

The profit forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the directors of Hospitality. The profit forecasts must be read in conjunction with the independent reporting accountants’ assurance report thereon which is attached as **Annexure 1**.

The profit forecasts have been prepared in accordance with the group’s accounting policies and in compliance with IFRS.

	Note	Forecast for the 7 months ending 30 June 2011 R’000	Forecast for the year ending 30 June 2012 R’000
Rental		45 578	85 486
Operating expenses	1	(1 150)	(2 090)
Transaction costs		(5 680)	–
Net finance costs		(15 274)	(26 184)
Profit before debenture interest		23 474	57 212
Debenture interest		(29 154)	(57 212)
Loss before negative goodwill		(5 680)	–
Negative goodwill		192 710	–
Profit before taxation		187 030	–
Taxation		–	–
Total profit and comprehensive profit for the period/year		187 030	–
Distribution – A-linked unit		(14 980)	(26 964)
Distribution – B-linked unit		(14 174)	(30 248)
Total distribution		(29 154)	(57 212)

Note 1

Material expenditure items

Salaries	928	1 685
Travel costs	148	270
Office overheads	74	135
Total operating expenses	1 150	2 090

Reconciliation of earnings and distributions

Profit for the period/year	187 030	–
Adjustment: Debenture interest	29 154	57 212
Earnings and headline earnings (linked units)	216 184	57 212
Adjustments:		
Transaction costs	5 680	–
Negative goodwill	(192 710)	–
Distributable earnings	29 154	57 212

	Note	Forecast for the 7 months ending 30 June 2011 R'000	Forecast for the year ending 30 June 2012 R'000
Number of linked units in issue			
A-linked unit		21 030 043	21 030 043
B-linked unit		21 030 043	21 030 043
Weighted average number of linked units in issue			
A-linked unit		12 214 710	21 030 043
B-linked unit		12 214 710	21 030 043
Distribution per linked unit (cents)			
A-linked unit		71.23	128.22
B-linked unit		67.40	143.83
		138.63	272.05
Earnings and headline earnings per linked unit (cents)			
A-linked unit		1 769.87	272.05
B-linked unit		1 769.87	272.05
		3 539.74	544.10

The profit forecasts incorporate the following material assumptions in respect of revenue and expenses that cannot be influenced by the directors:

- The maximum amount of R490 million in terms of the rights offer will be raised.
- Lease agreements with fixed and variable components will be concluded for the Arabella hotels.
- It is expected that the lease agreements which are to be concluded will provide that approximately 50% of the projected rental revenue to Hospitality from the Arabella hotels under the lease agreements will be fixed while the remaining 50% will be variable. The total lease payment (fixed and variable) will equate to 95% of each hotel's EBITDA, with the remaining 5% being retained by the sub-sub tenant in the case of the Westin and the tenant in the case of AWCHS hotel.
- Revenue is currently fully uncontracted.
- There are no unforeseen economic factors that will affect either the lessees' ability to meet their commitments in terms of the lease agreements or the forecast future profitability of the Arabella hotels.
- Interest payable on the debt funding will be in accordance with the rate of 10.19% (JIBAR + 2.90%) as specified in the relevant loan agreement with Nedbank.
- Any excess cash will be applied in reducing long-term borrowings.
- The deeds office transactions are assumed to be concluded on 1 December 2010.
- No future properties will be acquired and no properties will be disposed of during the forecast periods other than those being acquired in terms of the transaction.
- 99.99% of the operating profit after interest will be distributed to linked unit holders.
- Debenture interest will be paid to A-and B-linked unit holders in accordance with the provisions of the debenture trust deed.

The profit forecasts incorporate the following material assumptions in respect of revenue and expenses that can be influenced by the directors:

- Operating expenditure has been determined based on discussions with vendors, historical costs and the forecast costs per the valuers' reports.
- The assumptions applied in arriving at EBITDA for the lease agreements includes, *inter alia*:
 - occupancies in line with historic occupancies, taking into account expected future supply and demand;
 - inflationary increases in actual daily room rates to forecast revenue per average room rate;
 - expenses, as a percentage of revenue in line with industry norms, whilst considering the nature of the individual hotels; and
 - management fees in line with management contracts.

6.2 Unaudited *pro forma* financial information

- 6.2.1 The table below sets out the unaudited *pro forma* financial effects of the rights offer and the transaction based on Hospitality's audited results for the year ended 30 June 2010. These financial effects are the responsibility of the directors of Hospitality and they have been prepared for illustrative purposes only, in order to provide information about the financial position of Hospitality assuming that the transaction had been implemented on 30 June 2010.
- 6.2.2 The unaudited *pro forma* consolidated statement of financial position of the Hospitality group at 30 June 2010 and the explanatory notes thereto are set out in **Annexure 2** to this circular and should be read in conjunction with the independent reporting accountants assurance report thereon reproduced in **Annexure 3**. An independent reporting accountants' assurance report on the value and existence of the Arabella hotels is set out in **Annexure 4**.
- 6.2.3 Due to its nature, the unaudited *pro forma* financial information (collectively, the unaudited *pro forma* financial effects and unaudited *pro forma* consolidated statement of financial position) may not fairly present Hospitality's financial position, changes in equity, results of operations and cash flows subsequent to the rights offer and the transaction.
- 6.2.4 The unaudited *pro forma* consolidated statement of financial position has been prepared in accordance with the accounting policies of the Hospitality group that were used in the preparation of the audited consolidated financial statements for the year ended 30 June 2010.
- 6.2.5 As profit forecasts for the Arabella hotels have been prepared and presented in paragraph 6.1, an unaudited *pro forma* consolidated statement of comprehensive income has not been presented.
- 6.2.6 The table below reflects the unaudited *pro forma* financial effects of the rights offer and the transaction on a Hospitality linked unitholder:

	Before the rights offer and before the transaction ¹	After the rights offer and before the transaction	Change after the rights offer and before the transaction (%)	After the rights offer and after the transaction	Change after the rights offer and after the transaction (%)
Net asset value per linked unit (including deferred taxation)(Rand)					
• A-linked units	14.00	13.24	(5.4)%	14.38	8.6%
• B-linked units	14.00	13.24	(5.4)%	14.38	8.6%
Net asset value per linked unit (excluding deferred taxation)(Rand)					
• A-linked units	15.35	14.25	(7.2)%	15.40	8.0%
• B-linked units	15.35	14.25	(7.2)%	15.40	8.0%
Net tangible asset value per linked unit(Rand)					
• A-linked units	12.79	12.33	(3.6)%	13.47	9.2%
• B-linked units	12.79	12.33	(3.6)%	13.47	9.2%
Linked units in issue at 30 June 2010					
• A-linked units	63 112 101	84 142 144	33.3%	84 142 144	0%
• B-linked units	63 112 101	84 142 144	33.3%	84 142 144	0%

Notes and assumptions:

- The figures set out in the "Before the rights offer and before the transaction" column above have been extracted from the audited financial statements of the group for the year ended 30 June 2010.
 - The rights offer and transaction is assumed to have been implemented on 30 June 2010 for net asset value and net tangible asset value per linked unit purposes.
 - 21 030 043 rights offer A-linked units and 21 030 043 rights offer B-linked units are assumed to be issued at R12.80 and R10.50, respectively, pursuant to the rights offer thereby raising capital of R490 million.
 - The costs of the rights offer are assumed to be approximately R11.6 million.
- The following assumption is applicable in respect of the "After the rights offer and before the transaction" column:
- It has been assumed that a portion of the net proceeds of the rights offer (after payment of estimated costs of R11.6 million) will be utilised to repay the floating portion of the interest-bearing liabilities which amounts to R100 million. The remaining balance of the net proceeds totalling approximately R378.4 million is assumed to be invested in cash and cash equivalents.

The following notes and assumptions are applicable in respect of the “After the rights offer and after the transaction” column:

6. The Arabella hotels are assumed to be acquired with effect from 30 June 2010 for a total purchase consideration of R741.2 million.
7. The net proceeds of the rights offer (after payment of estimated costs of R11.6 million) of R478.4 million, which was originally assumed to be utilised to repay the floating portion of the interest-bearing liabilities and invested in cash and cash equivalents, is assumed to be utilised to partially fund the acquisition of the Arabella hotels.
8. The balance of the total purchase consideration of R262.8 is assumed to be funded through new debt facilities from Nedbank.
9. Hospitality will assume approximately R26 million of working capital liabilities of the Arabella hotels.
10. The Arabella hotels have been valued at R933.4 million by JHI (who are independent valuers registered as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000). The acquisition of the Arabella hotels has been accounted for in terms of IFRS 3 *Business Combinations* (2008) which provides that net assets which are acquired should be recorded at their fair value. Accordingly the difference of R192.71 million between the total purchase consideration of R741.2 million and the fair value of the Arabella hotels of R933.4 million has been recorded as negative goodwill and is included as part of accumulated profit.

7. VALUATION REPORTS

- 7.1 Independent valuation reports have been prepared in respect of the Arabella hotels including the Convenco Sub-Lease. A summary of the valuation reports in respect of the Arabella hotels has been included in **Annexure 5** of this circular.
- 7.2 The aggregate value of the Arabella hotels as per the valuations of the independent property valuer is R933 515 000.
- 7.3 As a consequence of AHG consolidating its worldwide investments and its decision to divest from non-European jurisdictions, Hospitality has been well placed to successfully negotiate a purchase price below the market value of the Arabella hotels, as ascribed by the independent property valuer.

8. HOSPITALITY PROPERTY PORTFOLIO

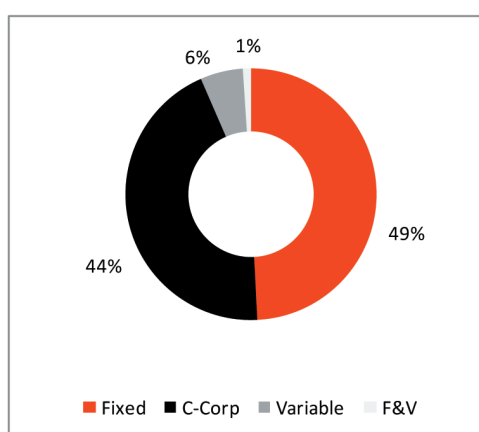
Hospitality’s property portfolio (excluding the Arabella hotels) based on valuations performed as at 30 June 2010 amounts to R3 317 870 000 and consists of 24 properties.

Details of the Hospitality property portfolio, excluding the Arabella hotels, is presented in **Annexure 6**.

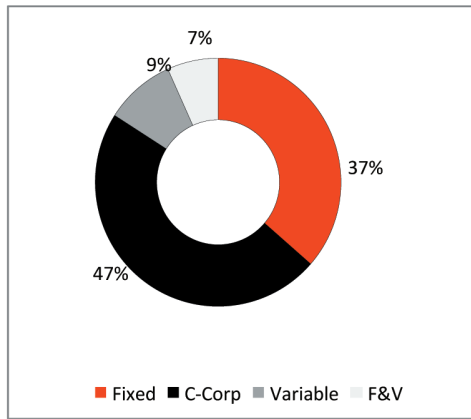
8.1 Profile for the financial year ended 30 June 2010

An analysis of Hospitality’s property portfolio based on the audited results of Hospitality for the year ended 30 June 2010, in respect of lease type, star grading, geographic spread as well as lease expiry profile, is provided in the charts and tables below.

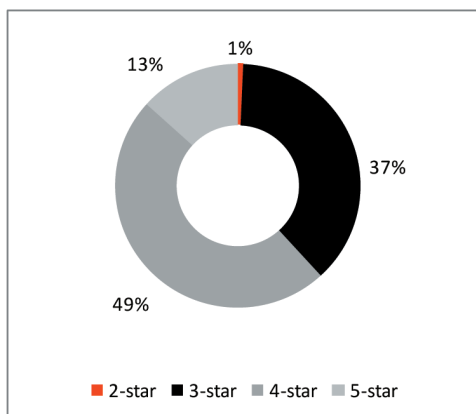
8.1.1 *Lease type by gross rental income*



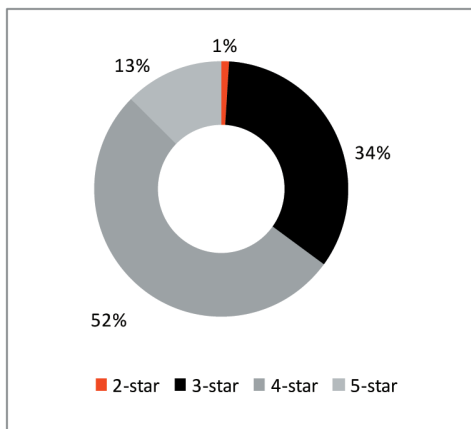
8.1.2 *Lease type by property value*



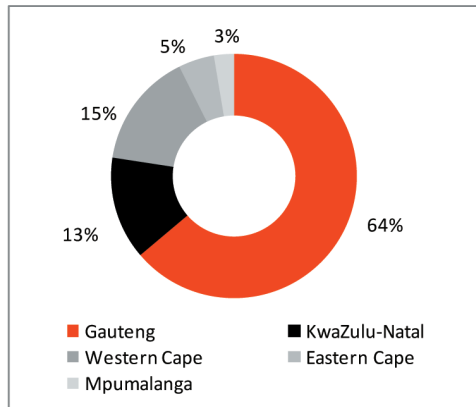
8.1.3 *Star grading by gross rental income*



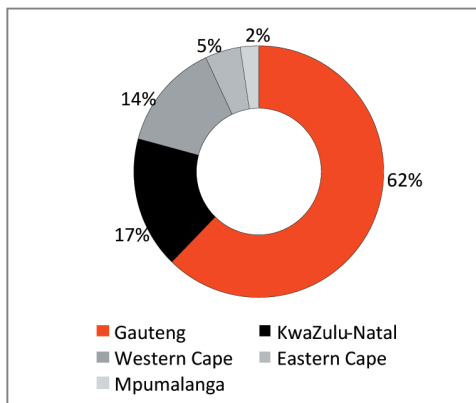
8.1.4 *Star grading by property value*



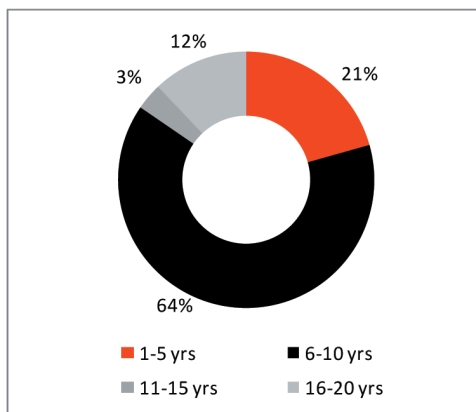
8.1.5 *Geographic location by gross rental income*



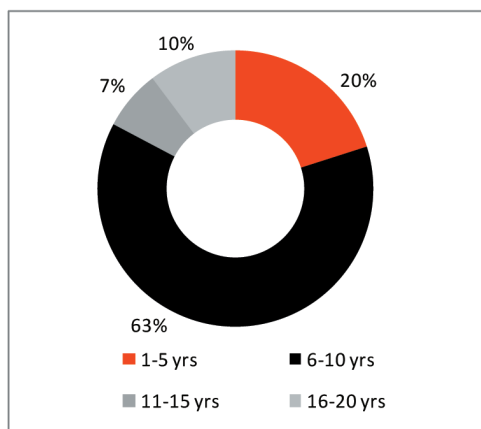
8.1.6 *Geographic location by property value*



8.1.7 *Lease expiry profile by gross rental income*

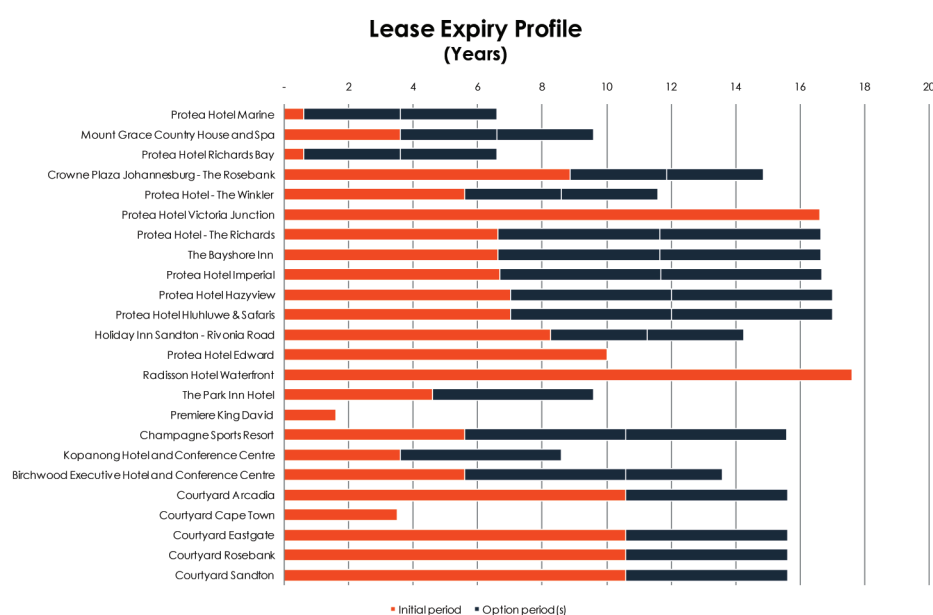


8.1.8 *Lease expiry profile by property value*



The average lease expiry period for the company is 9 years and 4 months (excluding option periods).

The company's lease expiry schedule per property by number of years, as at 30 June 2010, is detailed as follows:



8.1.9 *Average annualised property yield*

The average annualised historical property yield for the company, as at 30 June 2010, is 8.5%.

9. HOTEL OPERATOR INFORMATION

Details of the hotel operators in respect of the Hospitality property portfolio are set out in **Annexure 7**.

10. MATERIAL LOANS AND BORROWINGS

Details regarding the material loans and borrowings of Hospitality and its subsidiaries are set out in **Annexure 8** including the Nedbank loan which is subject to the successful implementation of the transaction.

11. MAJOR LINKED UNITHOLDERS

Set out below are the names of those Hospitality linked unitholders, other than directors, that, directly or indirectly, are beneficially interested in 5% or more of the total Hospitality linked units in issue at the last practicable date:

11.1 A-linked units

Holder	Number of linked units	Percentage of issued linked units (%)
Coronation§	13 899 887	20.52
Nobuntu Investments II±	9 513 012	14.05
Nobuntu Investments ‡	5 000 000	7.38
Stanlib§	4 632 918	6.84
Old Mutual§	4 012 479	5.92
	37 058 296	54.71

11.2 B-linked units

Holder	Number of linked units	Percentage of issued linked units (%)
Nobuntu Investments II±	9 513 012	14.05
Coronation§	6 835 043	10.09
Old Mutual§	6 759 831	9.98
Investec§	5 623 414	8.30
Transnet Pension Fund	3 761 479	5.55
Metope Investment Holdings	3 494 760	5.16
	35 987 539	53.13

§ These are asset managers whose linked units are held through a number of different funds and portfolios.

± Nobuntu Investments II is held by the following four shareholders:

- GPG (25.2%) – G A Nelson (a director of Hospitality) is a director of GPG and holds 42% of its issued shares.
- Meago Trading (Proprietary) Limited (49.9%) – unrelated party to Hospitality.
- Morgan West (Proprietary) Limited (6.7%) – unrelated party to Hospitality.
- Pan African (Proprietary) Limited (18.2%) – Z Kubukeli (a director of Hospitality) has a 12% indirect interest in Pan African (Proprietary) Limited.

‡ Nobuntu Investments is held by the following three shareholders:

- GPG (25.2%) – G A Nelson (a director of Hospitality) is a director of GPG and holds 42% of its issued shares.
- Meago Trading (Proprietary) Limited (49.9%) – unrelated party to Hospitality.
- Khomelela Property Investments (Proprietary) Limited (37.4%) – M B Madumise (a director of Hospitality) has a 16% indirect interest in Khomelela Property Investments (Proprietary) Limited.

As at the last practicable date the directors had no knowledge of any controlling linked unitholders in Hospitality. There has been no change in the controlling linked unitholder of Hospitality in the past 5 years and no changes in controlling linked unitholders are anticipated as a result of the implementation of the transaction.

12. INTERESTS OF DIRECTORS

12.1 The interests of the directors of Hospitality as at 30 June 2010, the preceding financial year-end, were as follows:

12.1.1 A-linked units

Directors	Beneficially held		Associates	Total	%
	Directly	Indirectly			
Y Aminzadeh	–	–	–	–	–
Z N Kubukeli	–	207 764	–	207 764	0.33
M B Madumise	–	302 940	–	302 940	0.48
W J Midgley	–	20 000	6 962	26 962	0.04
G A Nelson	–	1 536 057	398 433	1 934 490	3.07
T E Sewell^	40 443	–	–	40 443	0.06
	40 443	2 066 761	405 395	2 512 599	3.98

12.1.2 *B-linked units*

Directors	Beneficially held		Associates	Total	%
	Directly	Indirectly			
Y Aminzadeh	–	–	847 189	847 189	1.34
R Asmal	35 000	–	–	35 000	0.06
F M Berkeley	50 000	–	–	50 000	0.08
Z N Kubukeli	–	207 764	–	207 764	0.33
W J Midgley	–	40 000	13 924	53 924	0.09
G A Nelson	–	1 006 857	799 432	1 806 289	2.86
T E Sewell [^]	46 913	–	–	46 913	0.07
	131 913	1 254 621	1 660 545	3 047 079	4.83

[^] T E Sewell resigned as director from Hospitality with effect from 19 May 2010.

- 12.2 Post the year ended 30 June 2010, GPAM, an associate of Mr G A Nelson sold 272 300 and 33 481 A-linked units on 1 July and 2 July 2010 respectively, reducing Mr Nelson's interests in A-linked units held by his associates to 270 005 and his total interests in the A-linked units to 1 806 062.
- 12.3 There have been no other changes in directors' holdings between the end of the financial year ended 30 June 2010 and the last practicable date.
- 12.4 At the last practicable date the directors have in aggregate, direct and indirect interests in respect of the Hospitality linked units representing 8.81% of the issued capital of Hospitality.
- 12.5 Save as set out below, the directors of the group have no other interests in transactions entered into by the Hospitality during the current or preceding financial year and which remain in any respect outstanding or unperformed.
- 12.6 Messrs Nelson and Aminzadeh, the co-founders of Hospitality, have indirect interests in the following transactions and/or companies *via* their shareholdings in GPAM and HTLAM respectively:
- 12.6.1 Hospitality concluded the sale of shares agreement as set out in paragraph 1 of **Annexure 9**, with the shareholders of Hospitality Manco, being GPAM and HTLAM, to acquire all of the issued shares of and shareholders' claims against Hospitality Manco ("**Hospitality Manco internalisation**") with effect from 1 December 2009. The total purchase price for Hospitality Manco was subject to a minimum purchase price of R123 million which was payable on the effective date of the Hospitality Manco internalisation and a potential top up payment, determined in terms of a formula, which is payable after the issue of the annual financial statements of Hospitality for the 12 months ending 30 June 2012 and may result in a maximum purchase price of R180 million (escalated at CPI between the effective date of the transaction and 30 June 2012).
- 12.6.2 Prior to the Hospitality Manco internalisation, Hospitality's CEO Gerald Nelson and executive director Yuseph Aminzadeh, between them held a 70% indirect beneficial interest in Hospitality Manco.
- 12.6.3 Further details of the Hospitality Manco internalisation are set out in the circular issued to Hospitality linked unitholders on 1 October 2009.
- 12.6.4 Extrabold is one of the hotel operators and fulfils the hotel operator function for the following hotels within the Hospitality property portfolio:
- Crowne Plaza Johannesburg – The Rosebank;
 - Holiday Inn Sandton – Rivonia Road;
 - Mount Grace Country House and Spa;
 - Protea Hotel – The Richards;
 - Protea Hotel – The Winkler Hotel.
 - Protea Hotel Hazyview;
 - Protea Hotel Hluhluwe Hotel and Safaris;
 - Protea Hotel Imperial; and
 - The Bayshore Inn.

12.6.5 The shareholders of Extrabold are GPAM (52%) and HTLAM (48%).

12.6.6 Devco is a development company, which was established to redevelop The Crowne Plaza Johannesburg – The Rosebank (formerly The Rosebank Hotel) on a turnkey basis for Hospitality. This was in order to comply with the necessary accounting and statutory requirements to ensure that the group's earnings were not impaired through the loss of rental as a consequence of the hotel closure. The fee that Devco was paid to act in this capacity was equivalent to the fee that Hospitality Manco (prior to the Hospitality Manco internalisation) would have been entitled to receive (in terms of the asset management agreement) in respect of the development and which Hospitality Manco had elected to forfeit, to ensure that the group did not incur any additional costs through this structure.

12.6.7 The shareholders of Devco are GPAM (50%) and HTLAM (50%).

12.6.8 C-Corp is a hotel operating company which leases hotels exclusively from Hospitality. The shareholders of C-Corp are GPAM (52%) and HTLAM (48%).

12.6.9 Mr Midgley, *inter alia*, in his capacity as a director of Mkhabela Huntley Adekeye Inc., has received legal advisory fees in respect to the acquisitions of the Holiday Inn, Rivonia Road, the Protea Hotel Edward and the transaction and other legal matters involving Hospitality and its subsidiaries.

13. DIRECTORS' INTERESTS IN PROPERTY ACQUIRED OR TO BE ACQUIRED

No director of Hospitality has had any material beneficial interest, direct or indirect, in any property acquired or proposed to be acquired by the company during the three years preceding the date of this circular and no amount has been paid during this period, or is proposed to be paid to any director.

14. DIRECTORS' EMOLUMENTS AND SERVICE CONTRACTS

14.1 The total aggregate remuneration and benefits paid to the directors for the financial year ended 30 June 2010 is set out in the table below:

	Directors fees R'000	Consulting fees R'000	Salaries R'000	Bonuses R'000	Total R'000
Non-executive					
F M Berkeley±	40	–	–	–	40
T E Sewell†	264	–	–	–	264
K H Abdul-Karrim	211	–	–	–	211
Z N Kubukeli	176	–	–	–	176
M B Madumise	149	–	–	–	149
W J Midgley	188	954#	–	–	1 142
W C Ross	318	–	–	–	318
	1 346	954	–	–	2 300
Executive*					
R Asmal	–	–	1 095	174	1 269
G A Nelson	–	–	1 909	194	2 103
A S Rogers	–	–	1 633	270	1 903
	–	–	4 637	638	5 275

* Remuneration packages were borne by Hospitality Property Fund Managers (Proprietary) Limited for the period 1 July to 30 November 2009. Effective 1 December 2009 the management company was internalised and for the seven months from 1 December 2009 to 30 June 2010 the salaries and bonuses were paid by the group.

± F M Berkeley was appointed to the board of Hospitality on 11 March 2010 and appointed as Chairman with effect from 19 May 2010.

† T E Sewell resigned as Chairman of the board with effect from 19 May 2010.

An amount of R63 000 was paid directly to Mr Midgley as consulting fees and the remaining R891 000 was paid to Mkhabela Huntley Adekeye Inc. of which Mr Midgley is a director but not a shareholder.

- 14.2 There will be no variation in the remuneration payable to directors as a consequence of the rights offer or the transaction.
- 14.3 None of the directors received any expense allowance, material benefit, commission, gain or profit share from the company nor does the company make any contributions to funds on their behalf.
- 14.4 No amount has been paid or is payable to any third party *in lieu* of directors' fees.
- 14.5 No share options have been given to any directors or any other rights which have had the same or similar effect in respect of providing a right to subscribe for shares.
- 14.6 No shares have been issued or allotted in terms of a share purchase or share option scheme to any of the directors.
- 14.7 Secondment agreement entered into between Gerald Nelson, Hospitality, HPF Properties and GPG dated 2 December 2009 ("**the secondment agreement**"):
- *Effective date*
The date on which the Hospitality Manco internalisation became unconditional and was implemented, being 1 December 2009.
 - *Duration*
Indefinitely, subject to
 - immediate cancellation by HPF Properties in certain instances; and
 - either HPF Properties, GPG or Gerald Nelson giving three calendar months' written notice to the other parties, provided that no such notice may be given so as to expire before 30 June 2012.
 - *Capacity, function and duties*
The executive has been seconded to HPF Properties by GPG to serve as Chief Executive Officer and Managing Director of the Hospitality group.
 - *Remuneration*
R2 000 000 per annum excluding an annual performance bonus.
- 14.8 Employment agreement entered into between Ridwaan Asmal and HPF Management dated 14 July 2010:
- *Effective date*
1 December 2009
 - *Duration*
Indefinitely, subject to:
 - summary termination by HPF Management in certain instances; and
 - either party giving two calendar months' written notice to the other party.
 - *Capacity, function and duties*
The executive has been appointed as the Financial Director of the Hospitality group.
 - *Remuneration*
R1 095 360 per annum excluding an annual performance bonus.
- 14.9 Employment agreement entered into between Andrew Rogers and HPF Management dated 15 July 2010:
- *Effective date*
1 December 2009
 - *Duration*
Indefinitely, subject to:
 - summary termination by HPF Management in certain instances; and
 - either party giving three calendar months' written notice to the other party.

- *Capacity, function and duties*

The executive has been appointed as the Deputy Chief Executive Officer of the Hospitality group.

- *Remuneration*

R1 632 960 per annum excluding an annual performance bonus.

14.10 The secondment agreement and executive directors' employment agreements contain provisions which are consistent with good corporate governance as set out in the King Code and in line with industry practice. The secondment agreement contains restraint provisions in terms of which Gerald Nelson is restrained from competing with the Hospitality group in South Africa whilst he holds an interest, directly or indirectly, in the group and is further restrained from soliciting employees of the Hospitality group for a period of up to 12 months after termination of his secondment. No consideration was paid for the restraint provisions. The employment agreements do not contain any restraint of trade provisions.

15. MANAGEMENT

Hospitality was externally managed by Hospitality Manco from February 2006 until December 2009 when the company completed the internalisation of its asset management function. Further details of the Hospitality Manco internalisation are set out in the circular to Hospitality linked unitholders dated 1 October 2009.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 15 of this circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the Listings Requirements.

17. LITIGATION STATEMENT

There are no legal or arbitration proceedings which may have, or have during the twelve months preceding the date of this circular, had a material effect on the financial position of the company or the group. Hospitality is not aware of any other proceedings that would have a material effect on the financial position of the company or the group or the assets which are to be acquired pursuant to the transaction or which are pending or threatened against the company or the group or the assets which are to be acquired pursuant to the transaction.

18. ADEQUACY OF CAPITAL

The directors are of the opinion that after the transaction, the issued capital of the group and the working capital resources of the group are adequate for its present requirements, that is for at least 12 months from the date of issue of this circular.

19. MATERIAL CHANGES

19.1 There have been no material changes in the financial or trading positions of the Hospitality group or of the assets to be acquired by Hospitality pursuant to the transaction, since Hospitality published its audited financial statements for the year ended 30 June 2010.

19.2 There has been no change in the trading objects of the Hospitality group during the past five years.

20. MATERIAL CONTRACTS

Details of the material contracts which Hospitality or its subsidiaries have entered into, either verbally or in writing, other than in the ordinary course of business, within the two years preceding the date of this circular or which contain an obligation for settlement that is material to either Hospitality or its subsidiaries as at the date of this circular are set out in **Annexure 9**.

21. PRELIMINARY EXPENSES AND ISSUE EXPENSES

The preliminary costs of the transaction incurred by the company are expected to be as follows:

Costs	R'000
Lead transaction sponsor and corporate advisor fees payable to Java Capital	350*
Press announcement costs payable to Ince (Proprietary) Limited	150
Printing costs payable to Ince (Proprietary) Limited	150
Filing fee payable to the Competition Commission	100
Competition law advisor fees payable to Webber Wentzel	150
Legal fees payable to Mkhabela Huntley Adekeye Inc./W Midgley Consulting	2 500
Independent reporting accountants' fees payable to KPMG Inc.	145
Independent property valuer payable to JHI	55
JSE – Category 1 inspection fee	18
Conveyancing fees payable to Cliffe Dekker Hofmeyr	1 350
Due diligence costs	712
Total costs	5 680

* This is the combined fee for performing both the roles of lead transaction sponsor and corporate advisor.

All amounts are stated exclusive of VAT.

Hospitality has not incurred any preliminary expenses in connection with the transaction within the three years preceding the date of this circular.

22. CONSENTS

- 22.1 Each of the lead transaction sponsor and corporate advisor, the sponsor, the independent reporting accountants, the independent property valuer, the legal advisor to Hospitality, the competition law advisor, the transfer secretaries and the trustee for Hospitality debenture holders, whose names are set out in the “Corporate information” section have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn their consent prior to the publication of this circular.
- 22.2 The independent reporting accountants and the independent property valuer have consented to the inclusion of their reports in the form and context in which they are included in this circular, which consent has not been withdrawn prior to the publication of this circular.

23. DOCUMENTS AVAILABLE FOR INSPECTION

- 23.1 The documents listed below will be available for inspection during normal office hours on business days from Thursday, 28 October 2010 until Friday, 12 November 2010 at the offices of the company at “3 on Glenhove”, Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196.
- 23.2 The documents available for inspection are as follows:
- 23.2.1 the memorandum and articles of association of Hospitality and its subsidiaries;
 - 23.2.2 Hospitality's debenture trust deed;
 - 23.2.3 the material contracts referred to in **Annexure 9**;
 - 23.2.4 the group audited financial statements for the years ended 30 June 2010, 2009 and 2008;
 - 23.2.5 the secondment and employment agreements referred to in paragraph 14;
 - 23.2.6 the independent reporting accountants' assurance report on the forecast information of the Arabella hotels, which report is set out in **Annexure 1**;
 - 23.2.7 the independent reporting accountants' assurance report on the unaudited *pro forma* consolidated statement of financial position of Hospitality, which report is set out in **Annexure 3**;
 - 23.2.8 the independent reporting accountants' assurance report on value and existence of the properties to be acquired, which report is set out in **Annexure 4**;

23.2.9 the summary valuation report in respect of the Arabella hotels referred to in paragraph 7.1 above and which report is attached to this circular as **Annexure 4** as well as the full valuation reports in respect of the Arabella hotels; and

23.2.10 the consent letters referred to in paragraph 22.

Signed in Johannesburg by G A Nelson on his own behalf as director and on behalf of all the other directors of the company on 20 October 2010, he being duly authorised in terms of powers of attorney granted to him by such other directors.

G A Nelson

Chief Executive Officer

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE FORECAST INFORMATION OF THE ARABELLA HOTELS

"The Directors

Hospitality Property Fund Limited
3 on Glenhove
Cnr Glenhove Road and Tottenham Avenue
Melrose Estate
Johannesburg
2196

20 October 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE FORECAST INFORMATION OF THE ARABELLA HOTELS

We have examined the profit forecasts and the related assumptions of Hospitality for the 7 months ending 30 June 2011, and the twelve months ending 30 June 2012 (collectively, "**the forecast information**"), amounting to an attributable net profit before distribution to linked unitholders of R23.474 million, and R57.212 million respectively as set out in paragraph 6.1 of this circular to be dated on or about 28 October 2010.

This report and the conclusion contained herein is provided solely for the benefit of the board of directors and linked unitholders of Hospitality.

Directors' responsibility

The directors of Hospitality are responsible for the forecast information, including the assumptions set out in paragraph 6.1, on which it is based, and for the financial information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements, includes:

- determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecasts;
- whether the profit forecasts have been properly compiled on the basis stated; and
- whether the forecast information is presented on a basis consistent with the accounting policies of Hospitality.

Reporting accountants' responsibility

Our responsibility is to provide a limited assurance report on the forecast information prepared for the purpose of complying with the Listings Requirements and for inclusion in the circular. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to the *Examination of Prospective Financial Information*. This standard requires us to obtain sufficient appropriate evidence as to whether:

- management's best-estimate assumptions on which the profit forecasts are based are not unreasonable and are consistent with the purpose of the information;
- the forecast information is properly prepared on the basis of the assumptions;
- the forecast information is properly presented and all material assumptions are adequately disclosed; and
- the forecast information is prepared and presented on a basis consistent with the accounting policies of Hospitality.

In a limited assurance engagement, the evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Information and sources of information

In arriving at our conclusion, we have relied upon forecast financial information prepared by the management of Hospitality and other information from various public, financial and industry sources.

The principal sources of information used in arriving at our conclusion are as follows:

- the audited historical financial information of the underlying properties for the years ended 30 June 2008 and 30 June 2009 (due to non-conterminous year ends), where available;
- the reviewed management accounts of underlying properties with years ended 30 June 2010 where available;
- management prepared forecasts for the 7 months ending 30 June 2011 and the financial year ending 30 June 2012;
- discussions with management of Hospitality regarding the profit forecasts presented;
- discussions with management of Hospitality regarding the prevailing market and economic conditions;
- valuation reports, prepared by the independent property valuer appointed by Hospitality, in respect of the properties;
- draft lease agreements of the properties held under such leases;
- draft hotel management agreements, a sample of the acquisition agreements and the trust deed; and
- term sheets and loan agreements from Nedbank.

Procedures

In arriving at our conclusion we have performed the following procedures:

Rental income

Rental income – fixed

- The forecast fixed rental income streams as contained in the profit forecast model, was selected and agreed to the underlying draft lease agreements. The total coverage obtained was 80% of the forecast uncontracted rental income.

Rental income –variable

- For the forecast variable rental streams, we compared the forecast variable income streams to the individual property historical income statements and enquired of management of Hospitality where large discrepancies were noted.
- We obtained industry comparatives of occupancy rates and room rates for reasonableness and explanations were obtained for significant variances.

Expenses

All draft lease agreements are triple net leases. These lease agreements are those in terms of which the tenants are responsible for all of the operating and other costs relating to the building including insurance and repairs and maintenance. As a result, no recoveries have been forecast.

Loans

The value of the loans and the interest rate used to calculate the interest expense were compared to the loan agreements from Nedbank.

Operating expenses

The forecast operating expenses were assessed for reasonableness and, where applicable, recalculated.

Material expenditure items

The detailed forecast expenditure was examined to ensure that all material expenditure items, as required by paragraphs 13.6(a)(v) of the Listings Requirements, were disclosed.

Application of accounting policies

We ascertained that the accounting policies, to be applied by Hospitality in the future were applied consistently in arriving at forecast income. Variances and principles were primarily discussed with the directors of Hospitality.

Model review

In order to ensure that the forecast model for the property income and expenses was accurate and reliable we performed a high level review to determine the consistency and mathematical accuracy of the model.

Lease expiry profile

Each property will be leased to a single tenant for a certain lease period and we agreed the period of the leases to the draft lease agreements.

Accuracy of the information

We have relied upon and assumed the accuracy and completeness of the information provided to us in writing, or obtained through discussions with the management of Hospitality and the independent property valuer. While our work has involved an analysis of the historical financial information and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with International Auditing Standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that:

- the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the forecast information;
- the forecast information has not been properly compiled on the basis stated;
- the profit forecasts have not been properly presented and all material assumptions are not adequately disclosed; and
- the forecast information is not presented on a basis consistent with the accounting policies of Hospitality.

Actual results are likely to be different from the profit forecasts since anticipated events frequently do not occur as expected and the variation may be material. Accordingly no assurance is expressed regarding the achievability of the profit forecasts.

Yours faithfully

KPMG Inc.

Per: Mickey Bove
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg”

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HOSPITALITY

The unaudited *pro forma* consolidated statement of financial position at 30 June 2010 is the responsibility of the directors of Hospitality and has been prepared for illustrative purposes only, in order to provide information about the financial position of Hospitality, assuming that the rights offer and the transaction had been implemented on 30 June 2010 for purposes of the statement of financial position. Due to its nature, the unaudited *pro forma* consolidated statement of financial position may not fairly present Hospitality's financial position subsequent to the rights offer and the transaction. The independent reporting accountants' assurance report on the unaudited *pro forma* consolidated statement of financial position is set out in **Annexure 3**. An independent reporting accountants' assurance report on the value and existence of the Arabella hotels is set out in **Annexure 4**.

The unaudited *pro forma* consolidated statement of financial position has been prepared in accordance with the accounting policies of the Hospitality group that were used in the preparation of the audited financial statements for the year ended 30 June 2010.

As profit forecasts for the Arabella hotels have been prepared and presented in paragraph 6.1 of the circular, an unaudited *pro forma* consolidated statement of comprehensive income has not been presented

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

Set out below is the unaudited *pro forma* consolidated statement of financial position for the group reflecting the effects of the rights offer and the transaction:

	Before the rights offer and before the transaction ¹ R'000	Adjustments for the rights offer R'000	After the rights offer and before the transaction R'000	Adjustments for the transaction R'000	After the rights offer and after the transaction R'000
ASSETS					
Non-current assets	3 471 279		3 471 279	933 910	4 405 189
Investment properties	3 303 013		3 303 013	933 910 ^{7/11}	4 236 923
Straight-line rent income accrual	14 857		14 857		14 857
Furniture and equipment	587		587		587
Goodwill	152 822		152 822		152 822
Current assets	37 284	378 408	415 692	(378 408)	37 284
Trade and other receivables	26 574		26 574		26 574
Cash and cash equivalents	10 710	378 408 ⁶	389 118	(378 408) ⁸	10 710
Total assets	3 508 563	378 408	3 886 971	555 502	4 442 473
EQUITY AND LIABILITIES					
Equity	580 276	65 526	645 802	192 710	838 512
Share capital and share premium	259 195	65 526 ⁴	324 721		324 721
Accumulated (loss)/profit	(701)		(701)	192 710 ¹¹	192 009
Fair value reserve	321 782		321 782		321 782
Non-current liabilities	2 709 779	295 365	3 005 144	336 792	3 341 936
Debentures	1 186 507	395 365 ⁴	1 581 872		1 581 872
Interest-bearing liabilities	1 308 371	(100 000) ⁶	1 208 371	336 792 ^{8/9}	1 545 163
Derivative liability	11 014		11 014		11 014
Contingent consideration	32 842		32 842		32 842
Deferred taxation	171 045		171 045		171 045
Current liabilities	218 508	17 517	236 025	26 000	262 025
Trade and other payables	38 356		38 356	26 000 ¹⁰	64 356
Vendors on property acquisition	110 400		110 400		110 400
Debenture interest payable	69 752	17 517 ⁵	87 269		87 269
Total equity and liabilities	3 508 563	378 408	3 886 971	555 502	4 442 473
A. Net asset value per linked unit (Rand)					
A-linked unit	14.00		13.24		14.38
B-linked unit	14.00		13.24		14.38
B. Net asset value per linked unit (excluding deferred taxation) (Rand)					
A-linked unit	15.35		14.25		15.40
B-linked unit	15.35		14.25		15.40
C. Net tangible asset value per linked unit (Rand)					
A-linked unit	12.79		12.33		13.47
B-linked unit	12.79		12.33		13.47
Number of linked units in issue	63 112 101	21 030 043³	84 142 144		84 142 144
Number of A-linked units in issue	63 112 101	21 030 043³	84 142 144		84 142 144
Number of B-linked units in issue	63 112 101	21 030 043³	84 142 144		84 142 144

A. Net asset value per linked unit defined as:

(Total assets – Total liabilities + Debentures)/(Linked units in issue at end of year)

B. Net asset value per linked unit (excluding deferred taxation) defined as:

(Total assets – Total liabilities + Debentures + Deferred taxation)/(Linked units in issue at end of year)

C. Net tangible asset value per linked unit defined as:

(Total assets – Total liabilities + Debentures + Deferred taxation – Goodwill)/(Linked units in issue at end of year)

Notes and assumptions:

1. The figures set out in the "Before the rights offer and before the transaction" column above have been extracted, without adjustment, from the audited statement of financial position of the group as at 30 June 2010.
2. The rights offer is assumed to have been implemented on 30 June 2010.
3. 21 030 043 rights offer A-linked units and 21 030 043 rights offer B-linked units are assumed to be issued pursuant to the rights offer, thereby raising capital of R490 million.
4. The adjustment represents the share capital, share premium and debenture capital arising from the issue of 21 030 043 rights offer A-linked units of R12.80 each and 21 030 043 rights offer B-linked units of R10.50 each, net of estimated costs related to the rights offer of R11.6 million which have been written off against share premium.
5. Debenture interest payable has been adjusted to include the antecedent interest of R17.5 million in respect of the period 1 July 2010 to 31 December 2010.
6. A portion of the net proceeds of the rights offer (after payment of estimated costs of R11.6 million) has been assumed to be utilised to repay the floating portion of the interest-bearing liabilities which amounts to R100 million. The remaining balance of the net proceeds totalling approximately R378.4 million is assumed to be invested in cash and cash equivalents.
7. The Arabella hotels are assumed to be acquired with effect from 30 June 2010 for a total purchase consideration of R741.2 million.
8. The net proceeds of the rights offer (after payment of estimated costs of R11.6 million) of R478.4 million, which was originally assumed to be utilised to repay the floating portion of the interest-bearing liabilities and invested in cash and cash equivalents, is assumed to be utilised to partially fund the acquisition of the Arabella hotels.
9. The balance of the total purchase consideration of R262.8 is assumed to be funded through new debt facilities from Nedbank.
10. Hospitality will assume approximately R26 million of working capital liabilities of the Arabella hotels.
11. The Arabella hotels have been valued at R933.4 million by JHI (who are independent valuers registered as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000). The acquisition of the Arabella hotels has been accounted for in terms of IFRS 3 *Business Combinations* (2008) which provides that net assets which are acquired should be recorded at their fair value. Accordingly the difference of R192.71 million between the total purchase consideration of R741.2 million and the fair value of the Arabella hotels of R933.4 million has been recorded as negative goodwill and is included as part of accumulated profit.

Details of the net assets acquired and negative goodwill in respect of the transaction are as follows:

	2010 R'000
Fair value – cash	741 230
Fair value of net identifiable assets	933 940
Negative goodwill	(192 710)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF HOSPITALITY

"The Directors
 Hospitality Property Fund Limited
 3 on Glenhove
 Cnr Glenhove Road and Tottenham Avenue
 Melrose Estate
 2196
 20 October 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

Introduction

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects and the unaudited *pro forma* consolidated statement of financial position (collectively "**the *pro forma* financial information**") of Hospitality Property Fund Limited ("**Hospitality**") set out in paragraph 6.2 and Annexure 2 of the circular to be dated on or about 28 October 2010 (the "**circular**") and issued in connection with the proposed acquisition of the Arabella hotels by Hospitality ("**the transaction**"). Terms used herein and defined in the circular have the meaning assigned to them in the circular unless otherwise indicated.

The *pro forma* financial information has been prepared for purposes of complying with the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**"), for illustrative purposes only, to provide information about how the rights offer and the transaction might have affected the reported financial information had the rights offer and the transaction been undertaken on 30 June 2010 for purposes of the statement of financial position.

Because of its nature, the *pro forma* financial information may not fairly present the financial position, changes in equity, results of operations or cash flows of Hospitality, after the transaction.

Directors' responsibility

The directors of Hospitality are solely responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the *pro forma* financial information contained in the circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of Hospitality and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express a limited assurance conclusion on the *pro forma* financial information included in the circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on Pro Forma Financial Information* issued by the South African Institute of Chartered Accountants.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of Hospitality with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Hospitality, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the *pro forma* financial information with the directors of Hospitality.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Hospitality and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the published reviewed financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the *International Standards on Auditing or the International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Opinion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Section 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of Hospitality, and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to section 8.30 of the JSE Listings Requirements.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued by Hospitality in the form and context in which it appears.

Yours faithfully

KPMG Inc.

Per Mickey Bove
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg”

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE VALUE AND EXISTENCE OF THE PROPERTIES TO BE ACQUIRED BY HOSPITALITY

"The Directors
Hospitality Property Fund Limited
3 on Glenhove
Cnr Tottenham & Glenhove
Melrose Estate
2196

20 October 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE VALUE AND EXISTENCE OF THE PROPERTIES ("THE PROPERTIES") TO BE ACQUIRED BY HOSPITALITY PROPERTY FUND LIMITED ("HOSPITALITY"), AS REFLECTED IN THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

Introduction

We have performed our limited assurance engagement for purposes of Paragraph 13.16 (e) of the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") with regard to:

- the **existence** of the properties to be acquired by Hospitality ("**the transaction**");
- the **value** at which the properties are reflected in the adjustment column of the unaudited *pro forma* financial information of Hospitality set out in Annexure 2 of the Hospitality circular to be dated on or about 28 October 2010 issued in connection with the transaction; and
- whether any material undisclosed liabilities exist.

Responsibilities of the directors

The directors of Hospitality are solely responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared, including the financial information relating to Hospitality's property acquisitions.

Their responsibility is to satisfy themselves that the properties to be acquired by Hospitality exists, has been valued in accordance with Hospitality's accounting policies and the recognition and measurement criteria of International Financial Reporting Standards ("**IFRS**").

Reporting accountant's responsibility

Our responsibility is to express our limited assurance conclusion regarding the existence and value of the properties to be acquired by Hospitality as reflected in the adjustment column of the unaudited *pro forma* financial information of Hospitality, based on our independent assurance engagement.

Our independent assurance engagement has been performed in accordance with the International Standard on Assurance Engagements ISAE 3000 applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and paragraph 13.16(e) of the JSE Listings Requirements. This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below. We have also considered the guidance in ISA 620 '*Using the work of an expert*' in respect of the valuations provided by the independent registered 'property' valuer (the "**independent valuer**") in accordance with paragraphs 13.20 to 13.31 of the JSE Listings Requirements.

Summary of work performed

Existence and valuation of the properties to be acquired

Our procedures included making such inquiries and obtaining such representations from the directors as we considered necessary, and in addition we:

- physically inspected the properties to be acquired, to establish the existence of the properties, and examined the related title deeds, comparing the registered owner to the Vendor reflected in the purchase agreements;
- obtained confirmation of the existence and value of liabilities to the financial institution in respect of the mortgage bond registered over the properties (where applicable), examined the purchase agreements to ascertain whether provision had been made therein for the settlement or cancellation of any other encumbrances over the properties identified during the inspection of the title deeds;
- compared the value at which each property is being acquired as reflected in the unaudited *pro forma* financial information to the value per the purchase agreements;
- inspected the supporting documentation in respect of the transaction costs which have been capitalised in terms of paragraph 20 of IAS 40: *Investment Property*;
- considered the valuations provided by the independent valuer in accordance with the guidance in ISA 620: *Using the work of an expert* and obtained evidence of the following:
 - the *professional competence* of the independent valuer, in particular, membership of an appropriate professional body and experience and reputation in the field;
 - the independence of the independent valuer, including confirmation from the valuer that there were no actual or apparent conflicts of interest that might impair, or be perceived to impair, his or her *objectivity*;
 - that the *scope* of the independent valuer's work was *adequate* for the purposes of determining the property values included in the unaudited *pro forma* statement of financial;
 - the *appropriateness* of the independent valuer's work as audit evidence regarding the values at which the properties are reflected in the unaudited *pro forma* statement of financial position;
- obtained a confirmation, from the attorneys, that there are no assets, liabilities or contingent liabilities, other than those arising from the registration of and the acquisition of the properties; and
- inspected the statutory records of the properties including the share registers, and confirmed all changes therein with management.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that:

- the properties comprising the transaction do not exist; and
- the value of the properties is reflected in the unaudited *pro forma* consolidated statement of financial position is not, in all material respects, in accordance with the accounting policies adopted by Hospitality and the recognition and measurement criteria of IFRS.
- any material undisclosed liabilities exist.

Yours faithfully

KPMG Inc.

Per Mickey Bove
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

SUMMARY VALUATION REPORT FOR THE ARABELLA HOTELS

“20 October 2010

The Directors
Hospitality Property Fund Limited
3 on Glenhove
Cnr. Glenhove and Tottenham Avenue
Melrose Estate
Johannesburg
(PO Box 522195, Saxonwold, 2132)

Dear Sirs

INDEPENDENT VALUERS’ REPORT OF THE PROPERTIES TO BE ACQUIRED BY HOSPITALITY PROPERTY FUND LIMITED (“HOSPITALITY”) AND ITS SUBSIDIARIES WHICH ARE LOCATED IN WESTIN GRAND HOTEL, CAPE TOWN AND THE ARABELLA WESTERN CAPE HOTEL AND SPA.

In accordance with your instruction of 19 July 2010, we confirm that we have visited and inspected the properties listed in the attached schedule (“**the properties**”) during 22 and 23 July 2010 (Section 13.23 (a) (iii)) and have received all necessary details required to perform a valuation in order to provide you with my opinion of the properties’ market values as at 30 September 2010 (Section 13.23 (c))

1. INTRODUCTION

The valuation of the properties has been carried out by the valuer who has carefully considered all aspects of all the properties. These properties each have a report which has been given to the management of Hospitality. The detailed reports include commentary on the current economy, nature of the properties, locality, tenancy, risk profile, forward rent and earning capability and exposure to future expenses and property risk. All these aspects have been considered in the individual valuation reports of the properties. The detailed reports have further addressed the tenancy income capability and expenditure for each property and tenant. Historic expenditure profile as well as future expenditure increases have been considered. The value thus indicates the fair market value for each property which is detailed in the detailed report and which has been summarised on a summary schedule, attached hereto, for each property. There are 2 properties and the important aspects of the detailed valuation reports including the property market value for all of the properties have been summarised in the attached schedule.

2. BASIS OF VALUATION

The valuation is based on the open market value.

Market value means the best price, at which the sale of an interest in a property may reasonably be expected to have been completed, unconditionally for a cash consideration on the date of valuation, assuming:

- 2.1 a willing seller and a willing buyer in a market;
- 2.2 that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the property, for the agreement of price and terms and for the completion of the sale;
- 2.3 that the state of the market, level of values and other circumstances are, on any earlier assumed date of exchange of contracts, the same as on the date of the valuation.

3. VALUE CALCULATION

The calculation of the market value of the subject properties have been based on the Discounted Cash Flow Method, as the property in question is a slightly-specialised property (Hotel) which is fully equipped as an operational entity and is occupied for the purpose of the business/undertaking, it has been valued taking into account its trading potential. Such types of property invariably change hands in the market at prices based directly on trading income and potential for a strictly limited use. We have selected the DCF method as the most suitable approach as it takes into account the time value of money.

The property is valued by discounting the expected future net income for a specific period (i.e. 4 years in this exercise) at an appropriate discount rate (or total rate of return) to give the present value (PV) of the expected net income cash flow.

The capitalised valuations have, however, also been calculated for each property as a check to ensure that the Discounted Cash Flow value calculated is consistent with market norms and expectations.

We have had regard to the following factors in arriving at our estimate of market value:

- 3.1 The income stream from each hotel is derived from either a fixed lease, a variable lease, or a C-Corp lease agreement. In each case the valuation takes into account the contractual income for the initial term and it is assumed in each case that the leases have been renewed;
- 3.2 In the case of a C-Corp lease agreement, approximately 50% of the projected revenue to HPF is in the form of a fixed lease with agreed escalation rates (with average escalations approximating CPI), with the remainder being variable and based on EBITDA (earnings before interest, taxation, depreciation and amortisation). Lease terms for C-Corp lease agreements range between three and five years. The rental in each case has been capitalised at an appropriate rate;
- 3.3 We have satisfied ourselves that the lease rental in each case is market related, and that the EBITDA figures as broadcast are based on sound assumptions;
- 3.4 In determining the capitalisation rate, we have taken the following into account:
 - 3.4.1 period of lease;
 - 3.4.2 previous years' EBITDA figures and forecast to September 2014;
- 3.5 The percentage of lease rental commitment to EBITDA;
 - 3.5.1 occupancy levels;
 - 3.5.2 history of hotel and strength of operator;
 - 3.5.3 the general level of yields being generated in the listed and unlisted sectors of the commercial property market.

4. SPARE LAND

There is one property with a large tract of vacant un-zoned land. This has been valued on a comparative basis compared to similar properties of a like nature in the area. The vacant land does not form part of the current income stream of the subject property and is only there for future development should it be required. The rate of R3.50/m² was based on sales in the area, taking into consideration, the size and location of the vacant land. (Please refer to the Arabella Western Cape Hotel & Spa Report of, under heading 11 "Considerations as to the Value of the Property – Vacant Land").

- (a) During 2007, an application was submitted by Dennis Moss Partnership for the Arabella Phase II Development. The application entailed the following:
 1. Rezoning of Portion 1 and remainder of Portion 3 of the Farm Hermanus River 542 from Agricultural to Sub-divisional area
 2. Subdivision of Sub-divisional area into a golf estate comprising 352 residential erven, 18-hole golf course and sports field, environmental centre with management facilities, private nature reserve and various private parks, dams, roads and parking facilities.
 3. Amendment of Overstrand Spatial Development Framework
 4. Amendment of Hangklip-Kleinmond Spatial Development Framework
 5. Registration of certain servitudes for access
 6. Registration of a Home Owners Association

The above-mentioned application was then evaluated, advertised and a submission was made to Council for a recommendation. A copy of the recommendation is available on request. Council's recommendation was then forwarded to Provincial Administration of the Western Cape for a final decision. No final decision has been received as yet.

- (b) Phase II comprises 427 hectare estate: A Part of Phase II, situated alongside the lagoon, is improved with a dated house and stables. The Arabella Western Cape Hotel gets a share of the income of the horse riding facility, but no fixed monthly rental is charged for the occupancy of the house and the use of the land.

The waterworks of the hotel, the phase I development as well as the golf course is situated on a portion of phase II and will also supply the phase II development in due course.

- (c) Conditions for the immediate development of this type of units or any other type of development, is premature for development, due to the difficulty getting approval from the different departments involved and might take some time to reach its full potential. We have indicated what the current market conditions are and with time, the above statements can change and other potential developments can be researched as the area evolves. The current value could also increase substantially depending on the type of development the departments will approve.
- (d) The success of the Arabella Country Estate Phase I proved that there was a demand for such a product within this location and therefore Phase II development was planned for the Arabella Country Estate. Due to a lapse of time and the change that has occurred in the residential property market Phase II is still feasible but it will take longer to realise.

5. BRIEF DESCRIPTION

Each property, currently in use as a hotel, is the subject of a separate valuation report. This report describes the location and type of property, provides a legal description, where possible town planning regulations and municipal valuations, and outlines the permanent improvements. It provides considerations as to the value of the property, and gives a market valuation using the capitalisation of income and DCF approaches. Each report is supported by a physical inspection survey, also carried out by JHI.

In respect of the properties, the current net annual rental and the estimated future net annual rentals at specified dates and for specified periods are included in each individual property valuation report.

6. VALUATION QUALIFICATIONS

We have, to the best of our knowledge, considered all of these aspects in the valuations of all the properties. There are no properties that are prejudiced in value by the influence of the lease agreements and other contracts & endorsements.

The valuer is however not responsible for the competent daily management of these properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

7. OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the properties or where there may be a benefit in options held. (Section 13.23 (g)).

To the best of our knowledge, there are no options in favour of any parties for any purchase of any of the properties. (Section 13.23 (h)).

8. INTRA-GROUP LEASES (Section 13.23 (a) (xi))

Details of intra-group leases are set out in the attached schedule.

9. CURRENT STATE OF DEVELOPMENT

There are no properties which are currently being developed. Note, however, that there is spare land capacity for expansion on certain properties. (Section 13.24 and 13.25).

10. EXTERNAL PROPERTY

All of the properties are situated within the Republic of South Africa. (Section 13.28).

11. OTHER GENERAL MATTERS AND VALUATION SUMMARY (Sections 13.30 and 13.31)

A full valuation report is available on a property by property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details. This has been given to the directors of Hospitality.

12. ALTERNATIVE USE FOR A PROPERTY (13.27)

We have valued the properties in accordance with their existing use which represents their market value.

13. OTHER COMMENTS

To our knowledge there are no contractual arrangements on the properties other than the leases as detailed in the report that have a major benefit or are detrimental to the fundamental value base of the properties.

Our valuation excludes any amounts of Value-added Tax, transfer duty, or securities transfer duty.

14. CAVEATS

14.1 Source of information and verification (Section 13.23 (a) (xiii))

Information on the properties regarding rental income, recoveries, turnovers and other income detail has been provided to me by the current owners and Hospitality.

We have further compared certain expenditures given to me to market norms of similar properties and the historic expenditure levels of the properties themselves. Historical contractual expenditures and municipal services are compared to the past performance of the properties in order to assess potential expenditure going forward.

14.2 Full disclosure

This valuation has been prepared on the basis that full disclosures of all information and factors that may affect the valuation have been made to us.

We have to the best of our ability researched the market as well as taken the steps detailed in paragraph 14.3 below.

14.3 Leases (Section 13.23 (a) (ix))

Each property and the related lease or management agreement information as supplied by the relevant parties was inspected by us. The lease agreement between the Western Grand Hotel and the CTICC is as Fully Insuring, Repairing and Maintaining (Triple Net).

14.4 Lessee's credibility

In arriving at our valuation, cognizance has been taken of the lessee's security and rating. In some cases this has influenced the capitalisation rate by way of a risk consideration.

14.5 Mortgage bonds, loans, etc.

The properties have been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs of acquisition.

The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction for any purposes which may be made at the discretion of the purchaser when purchasing the properties.

14.6 Calculation of areas

All areas quoted within the detailed valuation reports are those stated in the information furnished and verified where plans were available. To the extent that plans were not available, reliance was placed on the information submitted by the managing agents.

14.7 Structural condition

The properties have been valued in their existing state. I have not carried out any structural surveys, nor inspected those areas that are unexposed or inaccessible, neither have I arranged for the testing of any electrical or other services.

14.8 Contamination

The valuation assumes that a formal environmental assessment is not required and further that none of the properties are environmentally impaired or contaminated, unless otherwise stated in our report.

14.9 Town planning (Section 13.23 (a) (vi) and (vii))

Full town planning details and title deeds have been supplied in the detailed valuation reports including conditions and restrictions and the properties have been checked against such conditions. This is to ensure that they comply with town planning regulations and title deeds. There do not appear to be any infringements of local authority regulations or deeds by any of the property. Only the written town planning information for phase I of the Arabella Western Cape Hotel and Spar is outstanding.

The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations for these properties.

There is no contravention of any statutory regulation or town planning local authority regulation or contravention of title deed relating to any of the properties which infringement could decrease the value of the properties as stated.

15. MARKET VALUE

We are of the opinion that the aggregate market value of the properties as at 30 September 2010 is R933 515 000 (excluding VAT). A summary of the individual valuations and details of each of the properties is attached.

There have been no material changes in circumstances between the date of valuation being 30 September 2010 and the date of the valuation report which would affect the valuation.

We have more than 35 years experience in the valuation of all nature of property and we are qualified to express an opinion on the fair market value of the properties.

We trust that we have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Yours faithfully,

Gensec Property Services Limited T/A JHI

JHI Place,
2 Norwich Close,
Sandton, 2196

BRIAN VAN VUUREN

Professional Associated Valuer M.I.V.S.A. (C.I.E.A.)
Registration No. 966/1
Registered in terms of Section 20(2) (a) and
Section 43(8) of the Property Valuers Profession Act, 2000

LYZETTE VAN DER MERWE

Professional Associated Valuer
Registration No. 4537/9
Registered in terms of Section 20(2) (a) and
Section 43(8) of the Property Valuers Profession Act, 2000"

SCHEDULE OF PROPERTIES

Property Name	Address	Registered Description	Property Type	Existing Use	Description: Land/Buildings	Site Area in m ²	Floor Areas m ² (GLA)	Leasehold/Freehold	Tenure
Westin Grand Cape Town	Convention Square, No. 1 Lower Long Street, Cape Town, 8001	PORCTIONS 3 TO 12 (PORTION OF LEASE AREA 2) OF 263 ROGGEBAAL, CAPE TOWN, WESTERN CAPE PROVINCE	Hotel	Hotel	19 Storey Hotel, Conference & Spa	15 006m ²	49 872m ²	Leasehold – Sub lease agreement between CTICC (Cape Town International Convention Centre) and the subject property	Entered into 2001: 50 year term & 20 year option to renew.
	On the Arabella Country Estate, R44 Kleinmond, Hermanus 7195	PORITION 1, Re OF PORTION 3, PORTION 51, 52, 53, 54, 88, 98, 123, 265, Re OF PORTION 266, 268, 269, 273, Re OF PORTION 274, 290 OF THE FARM HERMANUS RIVER 542 AND A FRACTIONAL OWNERSHIP OVER PORTION 135 OF THE FARM HERMANUS RIVER 542, IN THE OVERSTRAND MUNICIPALITY, DIVISION OF CALEDON, WESTERN CAPE PROVINCE	Hotel & Country Golf Estate	Hotel	5 Storey Hotel, Conference, Spa & Vacant Land within a Country Golf Estate	27 367m ² , 744 422m ² , 3 466m ² , 3 178m ² , 688m ² , 1 375m ² , 742m ² , 73 061 m ² , 64 895m ² , 14 566m ² , 210m ² , 23 379m ² , 678m ² , 588m ² , 3 055 194m ² , 1 218 892m ²	24 895m ²	Freehold	N/A
Property Name	Approx. Age of Building	Market Valuation	Effective Date of Valuation	Date of Physical Inspection	Valuation Methodology	Assumptions Underlying Valuation (Vacancy Levels)	Town Planning Restrictions & Conditions	Material Contraventions (if any)	
Westin Grand Cape Town	5 to 10 Years	R823 000 000	30 September 2010	22 July 2010	DCF Discounted Cash Flow & One year Income Capitalisation Method	35%	B5 – General Business Use	Nil	
Arabella Western Cape Hotel & Spa	5 to 10 Years	R 110 515 000 (Including the vacant land)	30 September 2010	23 July 2010	DCF Discounted Cash Flow, One year Income Capitalisation Method & Direct Comparable method	48%	Awaiting Town Planning Information for Phase I. Please refer to the valuation report for the town planning information on Phase II	Nil	

SCHEDULE OF PROPERTIES (continued)

Property Name	Actual Tenants Leases or Sub-Leases	Intra-Group Lease Terms	Sources/Verification of Information	Adjustments made to future rental streams, where current rentals are different	Registered Valuer	Registered Valuers Address	Registered Valuers Registration Number & Category	Any applicable Restrictions
Westin Grand Cape Town	C-Corp lease agreement, approximately 50% of the projected revenue to HPF is in the form of a fixed lease with agreed escalation rates (CPI), with the remainder being variable and based on EBITDA (earnings before interest, taxation, depreciation and amortisation). The turnover rental is equal to 90% of the amount by which EBITDA exceeds the basic rental. The rental return to HPF is based on the performance of the hotel.	Currently, ASA sub-sub leases the Westin Grand leasehold property and hotel to AGH in terms of a verbal lease. At the time of transfer, these leases will be substituted with new leases with external parties.	1. Rental & Tenancy Schedules as supplied by the client. 2. General Market Research	Actual Income stream found to be market related	B D van Vuuren & L. van der Merwe	JHI Place, 2 Norwich Close, Sandton	Professional Associated Valuers: 966/1 & 4537/9	Nil
Arabella Western Cape Hotel & Spa	C-Corp lease agreement, approximately 50% of the projected revenue to HPF is in the form of a fixed lease with agreed escalation rates (CPI), with the remainder being variable and based on EBITDA (earnings before interest, taxation, depreciation and amortisation). The turnover rental is equal to 90% of the amount by which EBITDA exceeds the basic rental. The rental return to HPF is based on the performance of the hotel.	Currently, ASA sub-sub leases the Westin Grand leasehold property and hotel to AGH in terms of a verbal lease. At the time of transfer, these leases will be substituted with new leases with external parties.	1. Rental & Tenancy Schedules as supplied by the client. 2. General Market Research	Actual Income stream found to be market related	B D van Vuuren & L. van der Merwe	JHI Place, 2 Norwich Close, Sandton	Professional Associated Valuers: 966/1 & 4537/9	Nil

THE PROPERTY PORTFOLIO

The table below sets out details in respect each property in the Hospitality property portfolio (excluding the Arabella hotels) as at 30 June 2010:

No.	Property names	Property title	HPF Properties ownership	Property address	Location	Star grading	Number of rooms ⁽³⁾	Date of acquisition	Acquisition cost ⁽²⁾ (R)	Capitalised cost post-acquisition ^{(2)/(5)} (R)	Total cost ⁽²⁾ (R)	Valuation at 30 June 2010 ⁽⁴⁾ (R)	Surplus/ (deficit) on valuation to cost ⁽²⁾ (R)
C-Corp lease agreements													
1.	Crowne Plaza Johannesburg – The Rosebank	Freehold	Direct	Corner Tyrwhitt and Sturdee Avenues, Rosebank, Johannesburg	Gauteng	4	318	February 2006	70 000 000	324 097 015	394 097 015	400 294 000	6 196 985
2.	Holiday Inn Sandton – Rivonia Road	Freehold	Direct	123 Rivonia Road, Sandton, Johannesburg	Gauteng	4	301	September 2008	409 247 981	6 306 881	415 554 862	400 230 000	(15 324 862)
3.	Mount Grace Country House and Spa	Freehold	Combined Share block and Direct	Old Rustenburg Road, Magaliesburg	Gauteng	5	121	February 2006	122 562 500	154 868 596	277 431 096	239 000 000	(38 431 096)
4.	Protea Hotel Victoria Junction	Freehold	An 84% share in sectional title units in the sectional title scheme	Corner Somerset and Abenezer Roads, Cape Town	Western Cape	4	172	February 2007	108 961 056	4 785 521	113 746 577	164 000 000	50 253 423
5.	Protea Hotel – Marine	Freehold	Direct	Marine Drive Summerstrand, Port Elizabeth	Eastern Cape	4	98	February 2006	73 000 000	17 299 937	90 299 937	99 000 000	8 700 063
6.	Protea Hotel – The Richards	Freehold	Direct	3 Hibberd Drive, Meerensee, Richards Bay	KwaZulu-Natal	4	135	February 2007	63 137 802	17 312 042	80 449 844	50 900 000	(29 549 844)
7.	Protea Hotel Imperial	Freehold	Direct	224 Loop Street, Pietermaritzburg	KwaZulu-Natal	3	70	March 2007	24 456 607	21 296 622	45 753 269	50 000 000	4 246 731
8.	Protea Hotel Hazyview	Freehold	Direct	R 40, 7 km before Hazyview	Mpumalanga	3	87	April 2007	41 508 574	3 510 160	45 018 734	41 000 000	(4 018 734)
9.	Protea Hotel – The Winkler	Freehold	Direct	Numbi Road White River	Mpumalanga	4	87	February 2006	10 000 000	34 799 198	44 799 198	38 000 000	(6 799 198)

No. Property names	Property title	HPF Properties ownership	Property address	Location	Star grading	Number of rooms ⁽³⁾	Date of acquisition	Acquisition cost ⁽²⁾ (R)	Capitalised cost post-acquisition ⁽²⁾⁽⁵⁾ (R)	Total cost ⁽²⁾ (R)	Valuation at 30 June 2010 ⁽⁴⁾ (R)	Surplus/ (deficit) on valuation to cost ⁽²⁾ (R)
10. Protea Hotel Richards Bay	Freehold	Direct	Corner Davidson and Launder Lanes, Meerensee, Richards Bay	KwaZulu-Natal	3	66	February 2006	23 000 000	10 347 671	33 347 671	30 000 000	(3 347 671)
11. The Bayshore Inn	Freehold	Direct	The Gully, off Hibberd Drive, Meerensee, Richards Bay	KwaZulu-Natal	2	102	February 2007	1 233 119	25 349 022	37 682 141	33 000 000	(4 682 141)
12. Protea Hotel Hluhluwe & Safaris	Freehold	Direct	104 Main Road Hluhluwe	KwaZulu-Natal	3	75	July 2007	28 219 247	4 408 894	32 628 141	35 333 000	2 704 859
Total C-Corp lease agreements								986 426 886	624 381 599	1 610 808 485	1 580 757 000	(30 051 485)
Fixed lease agreements												
13. Birchwood Executive Hotel and Conference Centre	Freehold	Direct	120 North Rand Road, Bartlett, Boksburg, Johannesburg	Gauteng	3	450	February 2006	400 859 436	–	400 859 436	774 000 000	373 140 564
14. Champagne Sports Resort	Freehold	Combined Share block and Direct	R600, Central Berg, KwaZulu Natal	KwaZulu-Natal	4	112	February 2006	141 506 000	5 799 152	147 305 152	255 000 000	107 694 848
15. Kopanong Hotel and Conference Centre	Freehold	An 80% share in sectional title units in the sectional title scheme	243 Glen Gory Road, Norton Estates, Benoni, Johannesburg	Gauteng	4	228	February 2006	78 130 000	1 664 843	79 794 843	129 000 000	49 205 157
16. Premier King David	Freehold	Direct	Corner Currie Street and Inverleith Terrace, East London	Eastern Cape	3	80	February 2006	52 000 000	832 891	52 832 891	52 000 000	(832 891)
Total fixed lease agreements								672 495 436	8 296 886	680 792 322	1 210 000 000	529 207 678
Variable lease agreements												
17. Courtyard Arcadia	Freehold	50% in a share block	Corner Park and Hill Streets, Arcadia, Pretoria	Gauteng	4	69	February 2006	19 300 000	–	19 300 000	42 000 000	22 700 000
18. Courtyard Cape Town	Leasehold	50% in a share block	Liesbeek Avenue off Liesbeek Parkway, Mowbray, Cape Town	Western Cape	4	70	February 2006	7 125 000	–	7 125 000	7 100 000	(25 000)
19. Courtyard Eastgate	Freehold	50% in a share block	Zulberg Close Oppenheimer Road, Bruma Lake, Johannesburg	Gauteng	4	69	February 2006	9 400 000	–	9 400 000	25 500 000	16 100 000

No. Property names	Property title	HPF Properties ownership	Property address	Location	Star grading	Number of rooms ⁽³⁾	Date of acquisition	Acquisition cost ⁽²⁾ (R)	Capitalised cost post-acquisition ^{(2)/(5)} (R)	Total cost (R)	Valuation at 30 June 2010 ⁽⁴⁾ (R)	Surplus/ (deficit) on valuation to cost ⁽²⁾ (R)	
20. Courtyard Rosebank	Freehold	32% in a share block	Corner Oxford Road and Tyrwhitt Avenue, Rosebank, Johannesburg	Gauteng	4	83	February 2006	12 180 130	–	12 180 130	32 800 000	20 619 870	
21. Courtyard Sandton	Freehold	25% in a share block	130 Rivonia Road, Sandton, Johannesburg	Gauteng	4	69	February 2006	8 662 610	–	8 662 610	20 900 000	12 237 390	
22. Radisson Blu Waterfront	Freehold	Sectional title units (46% of the units in the scheme)	Beach Road, Granger Bay, Waterfront, Cape Town	Western Cape	5	182	February 2006	133 416 525	4 834 925	138 251 450	177 000 000	38 748 550	
F&V lease agreements									190 084 265	4 834 925	194 919 190	305 300 000	110 380 810
23. Inn on the Square	Freehold	Direct	10 Greenmarket Square Road, Cape Town	Western Cape	3	165	February 2006	63 361 611	7 800 000	71 161 611	110 826 000	39 664 389	
24. Protea Hotel Edward	Freehold	Direct	149 O.R. Tambo Parade, Durban,	KwaZulu-Natal	4	101	June 2010	110 400 000	133 066	110 533 066	110 987 000	453 934	
Grand Total									173 761 611	7 933 066	181 694 677	221 813 000	40 118 323
									2 022 768 198	645 446 476	2 668 214 674	3 317 870 000	649 655 326

Notes:

1. The measure of vacancies is not an appropriate variable for hotels. All the properties forming part of the fixed lease agreement portfolio are currently fully let. Based on variable lease agreements and C-Corp lease agreements, all the properties are fully tenanted.
2. The difference between the initial cost and the value attributed by the valuer has arisen primarily as a result of different capitalisation rates and assumptions being applied by the company and the valuer in arriving at their respective valuations. Further to this the value attributed by the valuer is an open market value while the initial cost is a negotiated value.
3. The number of rooms as indicated by the table above are the total number of rooms of the respective hotel buildings, notwithstanding the fact that in certain instances Hospitality own less than 100% of the hotel.
4. All the properties were valued by JHI, being an independent valuer registered in terms of the Property Valuers Association Act, (Act 47 of 2000).
5. The capitalised costs relate to capital expenditure incurred (such as refurbishment costs) subsequent to or in connection with the acquisition of the properties in order to upgrade the properties.

HOTEL OPERATOR INFORMATION

The property asset management function is performed by Hospitality whilst the hotel operators operate the hotel businesses on behalf of Hospitality's tenants. Details of the hotel operators are set out below:

1. PROTEA HOTELS

Protea Hotels is the largest hotel group in Africa with the most extensive network-over 125 fine hospitality establishments in nine countries on the African continent. The company was founded in 1984 and has grown its portfolio and brands since. The group's brands include Protea Hotels (including the lifestyle brand Protea Hotel Fire & Ice!) and African Pride Hotels, Lodges and Country Houses. In April 2009 a consortium represented by Investec Private Equity, Protea BBBEE partners and management purchased the company's equity back from Australian-based Stella Group. This transaction resulted in the hospitality group reverting to being a 100% wholly-owned South African subsidiary.

Protea Hotels manages the Protea Hotel Marine, the Protea Richards Bay, the Protea Victoria Junction and the Protea Hotel Edward for Hospitality.

2. EXTRABOLD

Extrabold was set up upon the listing of the company to manage The Rosebank Hotel as it was to undergo substantial repositioning. It is pleasing to report that Crowne Plaza Johannesburg – The Rosebank (formerly The Rosebank Hotel) has since shown exceptional performance. Advantage was taken of the opportunity presented in other properties in the Hospitality to appoint Extrabold as managers of these hotels.

Extrabold operates the hotel businesses on behalf of C-Corp who lease hotels from Hospitality. Extrabold manages Crowne Plaza Johannesburg – The Rosebank, Holiday Inn Sandton – Rivonia Road, The Mount Grace Country House & Spa, Protea Hotel – The Winkler, Protea Hotel – The Richards, Protea Hotel Hazyview, Protea Hotel Imperial, The Bayshore Inn and the Protea Hotel Hluhluwe & Safaris.

Extrabold is owned by GPAM (52%) and HTLAM (48%). The management team has substantial supporting skills acquired in areas such as sales and marketing, finance, information technology, engineering and analyses.

3. CITY LODGE

The JSE listed City Lodge is one of South Africa's leading hotel groups, with 50 hotels under management, predominantly in the limited service segment. The group's hotel brands include Road Lodge, Town Lodge, City Lodge and Courtyard. Hospitality co-owns five Courtyard properties in its portfolio with City Lodge. The Courtyards in Arcadia, Cape Town and Eastgate are fully owned by Hospitality and City Lodge, whilst the Rosebank and Sandton Courtyards are majority owned through a sectional title scheme.

4. THE REZIDOR HOTEL GROUP

The Rezidor Hotel Group is listed on the Brussels stock exchange and is one of Europe's leading hotel management companies. The group manages and franchises under the Radisson Blu, Park Inn, Regent, Country Inn and Hotel Missoni brands.

The rental pool at the Radisson Blu Waterfront has entered into a management agreement with the Rezidor Hotel Group.

5. PREMIER HOTELS & RESORTS INTERNATIONAL

The Premier King David in East London is managed by Premier Hotels & Resorts International, which manages five hotels in South Africa, the majority of which are situated in the Eastern Cape. The management company has been managing the hotel since the listing of the company, yet the hotel was rebranded in mid-2006 (previously Protea Hotel East London).

6. CHAMPAGNE SPORTS RESORT

The tenant and management company of Champagne Sports Resort has been involved with the development and operations of the resort since inception and the company was the main seller entity to the company upon listing. The management company also manages the timeshare component of the resort on behalf of the Champagne Shareblock company.

7. BIRCHWOOD HOTEL MANAGEMENT COMPANY

The tenant and management company at the Birchwood Executive Hotel and Conference Centre is the Birchwood Hotel Management company. The same executive team has managed the property since its inception and has continued operations through its nine development phases. The exclusive focus of the management company is the management of the Birchwood.

8. KOPANONG HOTEL AND CONFERENCE CENTRE

The tenant and hotel management company at Kopanong Hotel and Conference Centre has been managing and operating the hotel since the listing of the company. The company also manages the rental pool of the sectional title units at the hotel.

9. THREE CITIES HOTEL GROUP

The Three Cities Group (“**Three Cities**”) manages and markets over 40 tourism and leisure properties in Southern Africa encompassing four distinctive portfolios – City Hotels, Resorts, Exceptional Safaris and the Exceptional Collection. In addition Three Cities has become a leader of private tertiary training and education for the hospitality industry in South Africa. The International Hotel School opened its doors in 1994 and has grown to become one of the largest private hospitality training providers in South Africa with campuses in Cape Town, Durban and Sandton. In 2002, Three Cities formed a specialized theme park management company with local empowerment and overseas partners to bid for and manage the largest Marine Theme Park in Africa – uShaka Marine World, which was being developed in Durban, South Africa. uShaka Management now manages the fifth largest Aquarium in the world.

MATERIAL LOANS AND BORROWINGS

1. Details of material loans advanced to the Hospitality group as at 30 June 2010 are set out in the table below.

Lender	Rate of interest	Outstanding balance R'000
Absa Bank Limited – Main loan 1	JIBAR+1.3%	822 000
Absa Bank Limited – Main loan 2	Prime –2%	70 016
Absa Bank Limited – Floating	Prime –2%	52 613
Absa Bank Limited – Loan 5	Prime-1.6%	50 000
Absa Bank Limited – Loan 6	JIBAR+1.85%	50 000
Absa Bank Limited – Loan 7	JIBAR+2.07%	50 000
Absa Bank Limited – Loan 8	JIBAR+2.1%	50 000
Absa Bank Limited – Loan 9	JIBAR+2.8%	113 742
		1 308 371

2. The above loans are repayable on 10 February 2012 and are secured in terms of a first mortgage bond over investment properties with a market value of R3.3 billion and a cession of leases and rentals in respect of bonded properties.
3. In terms of its articles of association the borrowing powers of the company, excluding the debentures, are limited to 65% of the valuation of the group's property portfolio.
4. Other than an amount of R110.4 million which was advanced by Nedbank during August 2010, further details of which are set out in paragraphs 5 and 6 below, there have been no other material movements in loans advanced to the Hospitality group from 30 June 2010 to the last practicable date.
5. A facility of R176.3 million has been made available by Nedbank to HPF Properties. HPF properties has drawn down on this facility in an amount of R110.4 million. This loan bears interest at a rate of the 3 month JIBAR plus 2.9%, is for a period of 5 years and is repayable by way of equal monthly repayments of interest only with a final repayment of the entire capital amount.
6. The loan is secured by:
- 6.1 a first mortgage bond over Radisson Blu Waterfront, The Bayshore Inn and Protea Hotel Edward;
 - 6.2 cessions and pledges over HPF's share in Courtyard Arcadia and Courtyard Rosebank; and
 - 6.3 a cession of leases and rentals in respect of the properties in paragraphs 6.1 and 6.2.
7. Nedbank put up the Nedbank Guarantee (Bond facility), the Nedbank guarantees (Rights Offer proceeds) and the Nedbank Guarantee (to the IDC). Following the rights offer, Hospitality will make payment of an amount of R315 285 412 to Nedbank. The balance of R400 million owing by HPF Properties to Nedbank pursuant to the transaction ("the Nedbank loan") will bear interest at a rate of the 3 month JIBAR plus 2.9%, will be for a period of 5 years and will be repayable by way of equal monthly repayments of interest only with a final repayment of the entire capital amount.
8. None of the loans payable by the Hospitality group are currently redeemable or convertible to Hospitality linked units.

MATERIAL CONTRACTS

The following are agreements (not being contracts entered into in the ordinary course of business) which have been entered into by the group in the two years preceding the last practicable date and which are or may be material to investors of the company or were entered into at any time and contain an obligation or settlement that is material to Hospitality or its subsidiaries at the last practicable date:

1. The sale of shares agreement between the Hospitality group and GPAM and HTLAM dated 17 September 2009 giving effect to the Hospitality Manco internalisation, further details of which are set out in the circular to Hospitality linked unitholders dated 1 October 2009.
2. The underwriting agreements dated 12 August 2010, 13 August 2010 and 14 August 2010, amended on 7 September 2010, 9 September 2010 and 13 September 2010 and concluded between Hospitality (on the one hand) and Coronation, Stanlib and Catalyst (on the other hand) in terms of which the underwriters agreed to underwrite the rights offer.
3. The transaction agreements.
4. The Convenco-Sub Lease.

VENDORS

Vendor	Address of Vendor	Property/asset acquired	Purchase price (R)	Valuation (R)	Cost per financial statement of vendor if purchased in last 3 years
1. Kovacs Investments 458 (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	Rental enterprise in respect of Kovacs land, being Portion 1 of the farm Hermanus River 452 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape measuring 305,5194 hectares and held by deed of transfer T50680/2002	R17 029 590	N/A	N/A
2. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	Management Services Business carried on in respect of the Arabella Western Cape Hotel and Spa, the Paulaner Business and the Westin Grand Hotel	R1 subject to adjustments	N/A	N/A
3. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The restaurant and micro-brewery business carried on under the name and style "Paulaner Bräuhaus"	R1 subject to adjustments	N/A	N/A
4. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	Portion 3 (portion of Portion 2) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape measuring 121,8892 hectares held under deed of transfer T98973/1998 and Portion 1 of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape measuring 305,5194 hectares under deed of transfer T50680/2002	R4 146 222	Note 1	N/A
5. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	12,5% of the issued share capital and all claims owing to the Seller by Dormell Properties 540 (Proprietary) Limited	R425 000	N/A	N/A
6. The River Golf Company (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The River Golf property being Portion 88 (portion of Portion 4) of the farm Hermanus River 542 in the Overstrand Municipality, Division of Caledon in the Province of the Western Cape held under deed of transfer T32918/1999	R1 937 678	N/A	N/A
7. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The Rental Enterprise conducted by the Seller in respect of the WG Property	R45 134 056	Note 1	N/A
8. Arabella Western Cape Hotel and Spa (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The hotel, spa and golf course business conducted by the Seller under the name and style "Arabella Western Cape Hotel and Spa"	R30 993 475	Note 1	N/A
9. Arabella Grand Hotel (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The business conducted in respect of the Westin Grand Hotel and Spa under the name "Westin Grand Cape Town Arabella Quays Hotel"	R118 632 773	Note 2	N/A
10. Arabella South Africa Holding (Proprietary) Limited	Westin Grand Hotel, Cape Town Arabella Quays, 1 Lower Long Street, Convention Centre, Cape Town	The Westin Grand rental enterprise conducted in respect of 3513 m ² at Lease Area No. 3 (Portion of Lease Area No. 2) over Erf 263 Roggebaai situate at Cape Town in the Province of the Western Cape	R496 986 607	Note 2	N/A

Note 1 – The independent property valuer attributed a value of R1110 515 000 to the AWCHS hotel. Further details of the valuation are set out in the summary valuation report which is provided in **Annexure 5**.

Note 2 – The independent property valuer attributed a value of R823 000 000 to the Westin. Further details of the valuation are set out in the summary valuation report which is provided in **Annexure 5**.



Hospitality Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE code for A-linked units: HPA ISIN for A-linked units: ZAE000076790

JSE code for B-linked units: HPB ISIN for B-linked units: ZAE000076808

("Hospitality" or "the company")

Directors of Hospitality

Executive directors

G A Nelson (*Chief Executive Officer*)

A S Rogers (*Deputy Chief Executive Officer*)

R Asmal (*Financial Director*)

Independent non-executive directors

F M Berkeley (*Chairman*)

K H Abdul-Karrim

Z N Kubukeli

M B Madumise

W C Ross

Non-executive directors

Y Aminzadeh

W J Midgley

NOTICE OF GENERAL MEETING OF HOSPITALITY SHAREHOLDERS

Notice is hereby given that a general meeting of shareholders of the company will be held at the offices of the company at "3 on Glenhove", Corner Glenhove Road and Tottenham Avenue, Melrose Estate, Johannesburg, 2196 at 10:00 on Friday, 12 November 2010 ("**the general meeting**"), for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

ORDINARY RESOLUTION 1

"**RESOLVED THAT:** the transaction in terms of which HPF Properties (Proprietary) Limited a wholly owned subsidiary of the company acquires, as an indivisible transaction:

- the sub-tenant's rights and obligations in terms of the sub-lease between Arabella South Africa Holding (Proprietary) Limited ("**ASAH**") and the Cape Town International Convention Centre (Proprietary) Limited for the Westin Grand Arabella Quays Hotel on the Foreshore, Cape Town (the "**Westin**");
- the hotel business in respect of the Westin from Arabella Grand Hotel (Proprietary) Limited;
- the Paulaner Bräuhaus restaurant and micro brewery and head office management services business from ASAH;
- the property letting business and hotel, leisure and golf course operation in respect to the Arabella Western Cape Hotel and Spa from ASAH and Arabella Western Cape Hotel and Spa (Proprietary) Limited; and
- the Phase 2 land, the shares and claims against Dormell Properties 540 (Proprietary) Limited, the Kovacs land and the River Golf property, all as detailed in the circular to which this notice forms part from ASAH and its subsidiaries,

for a total purchase consideration of R741.2 million, including the assumption of approximately R26 million of working capital liabilities, on the terms and conditions set out more fully in the transaction agreements dated 26 August 2010, as amended, copies of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved."

ORDINARY RESOLUTION 2

"**RESOLVED THAT** any of the directors of the company be and are hereby authorised to do all things and sign all documents required to give effect to and implement the ordinary resolution set out above."

FORM OF PROXY

A form of proxy is attached for the convenience of any shareholder holding certificated linked units who cannot attend the general meeting or who wishes to be represented thereat. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 10:00 on Wednesday, 10 November 2010. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their linked units through a CSDP or broker and who wish to attend the general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised linked unitholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the general meeting must complete and return the attached relevant form of proxy and lodge it with the transfer secretaries, Computershare Investor Services (Proprietary) Limited, PO Box 61051, Marshalltown, 2107 to be received by not later than 10:00 on Wednesday, 10 November 2010.

Dematerialised linked unitholders, who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the general meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached relevant forms of proxy in terms of which they appoint a proxy to vote at the shareholders' general meeting. Shareholders should ascertain from their CSDP or broker as to their cut-off time required to obtain instructions from their dematerialised shareholders.

By order of the board

Hospitality Property Fund Limited

Registered office

"3 on Glenhove"
Corner Glenhove Road and Tottenham Avenue
Melrose Estate
Johannesburg
2196
28 October 2010



Hospitality Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE code for A-linked units: HPA ISIN for A-linked units: ZAE000076790

JSE code for B-linked units: HPB ISIN for B-linked units: ZAE000076808

("Hospitality" or "the company")

Directors of Hospitality

Executive directors

G A Nelson (*Chief Executive Officer*)

A S Rogers (*Deputy Chief Executive Officer*)

R Asmal (*Financial Director*)

Independent non-executive directors

F M Berkeley (*Chairman*)

K H Abdul-Karrim

Z N Kubukeli

M B Madumise

W C Ross

Non-executive directors

Y Aminzadeh

W J Midgley

FORM OF PROXY – THE GENERAL MEETING OF HOSPITALITY SHAREHOLDERS

For use by shareholders holding certificated linked units, dematerialised linked unitholders who have elected own – name registration, nominee companies of CSDP's and brokers' nominee companies ("shareholders") at the general meeting to be held at 10:00 on Friday, 12 November 2010 at the registered office of the company at "3 on Glenhove", Corner Glenhove Road and Tottenham Avenue, Johannesburg, 2196.

I/We (BLOCK LETTERS PLEASE)

of (ADDRESS)

being the holder/s of A-linked units B-linked units in Hospitality, hereby appoint:

1. _____ or failing him/her,

2. _____ of failing him/her,

3. the chairman of the general meeting,

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the general meeting and at any adjournment thereof, in the following manner:

	Number of votes		
	*For	*Against	*Abstain
Ordinary resolution 1 – Approval of the transaction			
Ordinary resolution 2 – Authorisation of the directors			

*Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this _____ day of _____ 2010

Signature

Assisted by me (where applicable)

(State capacity and full name)

A shareholder entitled to attend and vote at the abovementioned general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company.

Forms of proxy must be deposited at Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 10:00 on Wednesday, 10 November 2010.

Please read the notes on the reverse side hereof

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.
3. The forms of proxy should be lodged at Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to be received by not later than 10:00 on Wednesday, 10 November 2010.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. The chairman of the general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
6. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
8. Where there are joint holders of shares:
 - 8.1 any one holder may sign the form of proxy; and
 - 8.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
9. This form of proxy may be used at any adjournment or postponement of the general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

