

HYPROP

INVESTMENTS LIMITED



2020 Integrated Annual Report

and Consolidated & Separate
Financial Statements

Navigation icons

Our capitals



Manufactured capital
Physical infrastructure used



Human capital
Skills & abilities of the board, management & employees



Intellectual capital
Management systems, continuing innovation



Financial capital
Financial resources deployed by the Company



Social and relationship capital
Engagement with broader society



Natural capital
Company's preservation & use of natural resources

Our stakeholders



Employees



Tenants



Funders and investors



Suppliers



Communities



Regulatory bodies



Environment

Other



Covid-19



King IV



Available on www.hyprop.co.za



South Africa



Eastern Europe



Sub-Saharan Africa



Group



Non-tangible assets



External risks
Outside the control of management



External risks
Mitigated by management



Internal risks
Under the control of management



Colour curve indicates risk level / impact



Audit & Risk committee



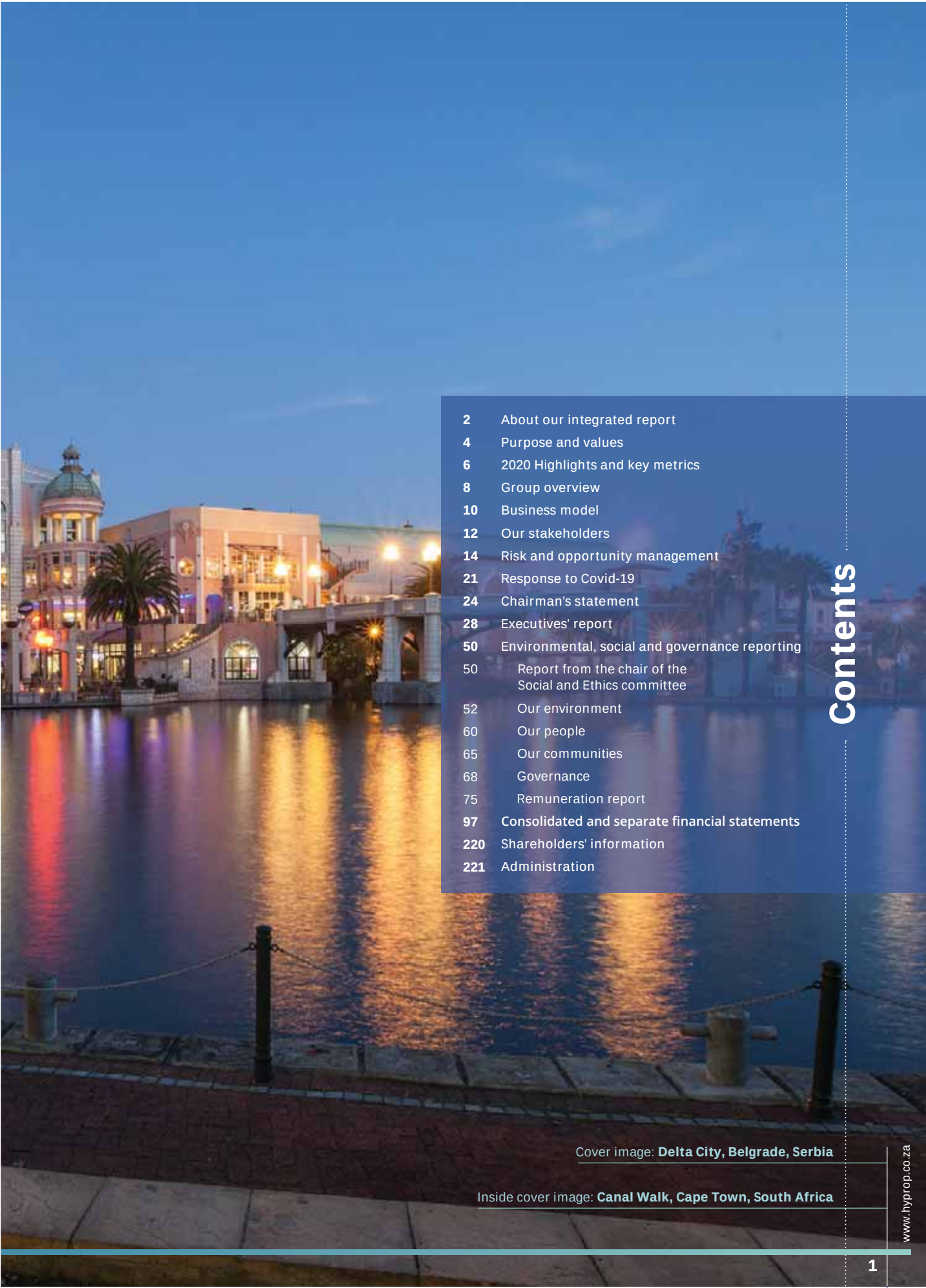
Social & Ethics committee



Remuneration & Nomination committee



Investment committee



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Cover image: **Delta City, Belgrade, Serbia**

Inside cover image: **Canal Walk, Cape Town, South Africa**

www.hyprop.co.za

About our integrated report

This report presents Hyprop's strategic framework for creating value over the short-, medium- and long-term, and provides our stakeholders with a concise and transparent assessment of our ability to create sustainable value through capital allocation and management. The report informs our stakeholders of Hyprop's performance and governance over the past year, progress towards delivering the Group's strategic objectives, information relating to Hyprop's business model, operating context, material risks and opportunities, governance and operational and financial performance.

The integrated report provides a holistic overview of Hyprop's strategy and plans, enabling stakeholders to make informed decisions, understand our material risks and how we manage them and improve investor and stakeholder engagement.

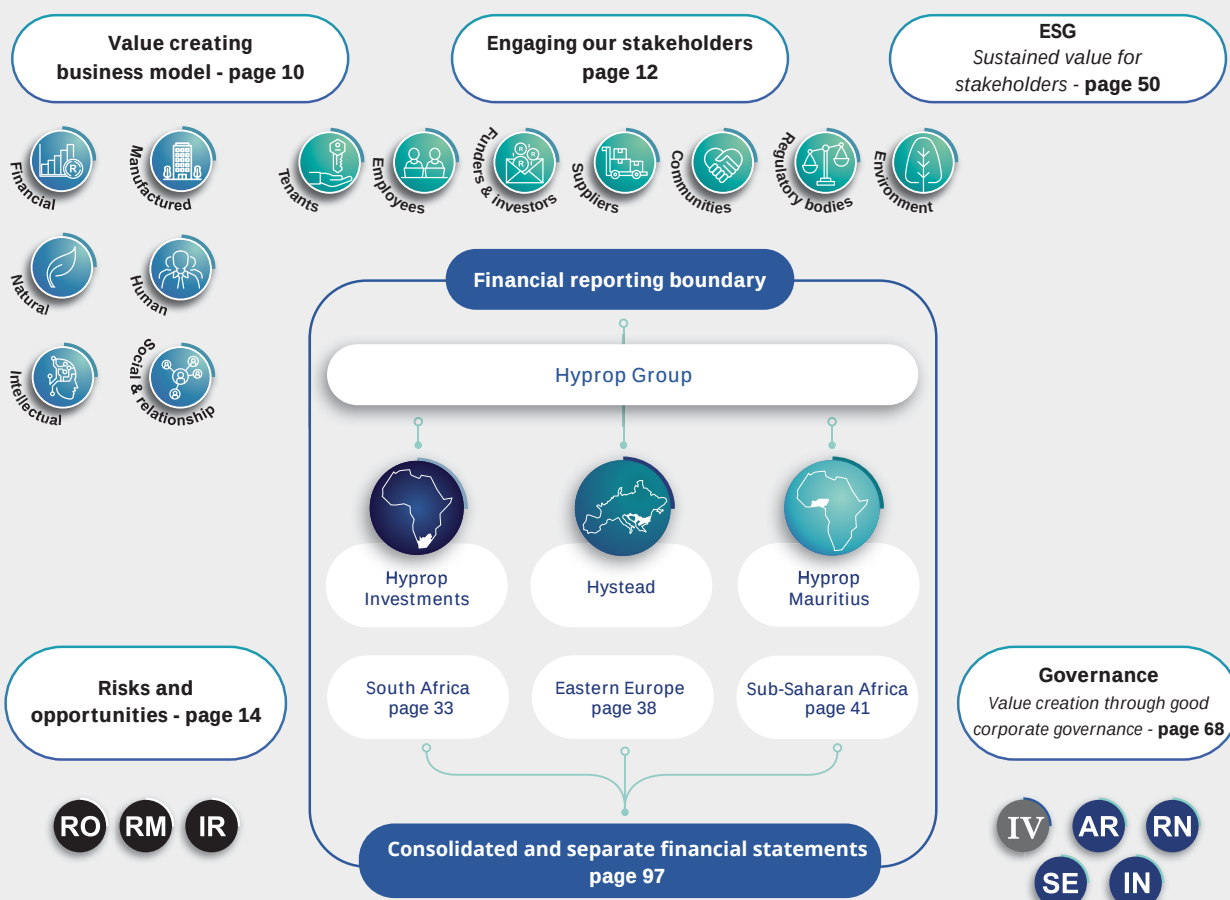
REPORTING SCOPE AND BOUNDARY

Hyprop is a retail focused REIT which owns and manages a portfolio of dominant retail centres in key economic nodes in South Africa and Eastern Europe.

The reporting process has been guided by the principles contained in the International Integrated Reporting Council's (IIRC) framework and the King Code on corporate governance 2016 (King IV™).

The consolidated and separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), SAICA and the Financial Standards Council financial reporting guides, the JSE Listings Requirements and the South African Companies Act 2008.

Accounting policies used to prepare the financial statements are consistent with those applied in the prior year, save for the adoption of new accounting standards which became effective during the year.



OUR APPROACH TO MATERIALITY

This report provides information we believe is relevant to assessing the financial position and performance of the Group.

MATERIAL CHANGES

In the year under review the Group had the following material changes to its size, structure and ownership:

1. Hystead acquired the remaining 10% interest in the Croatian assets in December 2019; and
2. The Group continued the process of reducing its exposure to sub-Saharan Africa with the disposal by AttAfrica of its interest in Manda Hill Shopping Centre in Zambia in July 2019.

ASSURANCE

Hyprop's external auditor, KPMG Inc., has audited the consolidated separate financial statements for the year ended 30 June 2020. KPMG's unqualified audit report is on page 112. The scope of the audit was limited to the information in the consolidated and separate financial statements on pages 120 to 213.

FORWARD-LOOKING STATEMENTS

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect our expectations at 30 June 2020. Actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect the Group's business, or if estimates or assumptions prove inaccurate.

The Group cannot guarantee that any forward-looking statements will materialise and, accordingly, readers are cautioned not to place undue reliance on these statements. The Group assumes no obligation to update or revise any forward-looking statements if new information becomes available, other than as stipulated by the JSE Listings Requirements.

CONTACT

We regard this report as a valuable opportunity to connect to and communicate with our stakeholders, and to respond to matters raised. We welcome your feedback on this report. Please direct this to investor relations, at: investorrelations@hyprop.co.za.

BOARD APPROVAL

The board acknowledges its responsibility to ensure the integrity of this integrated report. In the board's opinion it addresses all the issues material to Hyprop's ability to create value, and fairly presents the integrated performance of Hyprop Investments Limited for the 2020 financial year.

The consolidated and separate financial statements included in this report were approved by the board on 21 September 2020.

The remainder of this integrated report was approved by the board on 14 October 2020.

Gavin Tipper

Annabel Dallamore

Kevin Ellerrine

Zuleka Jasper

Nonyameko Mandindi

Thabo Mokgatlha

Wilhelm Nauta

Louis Norval

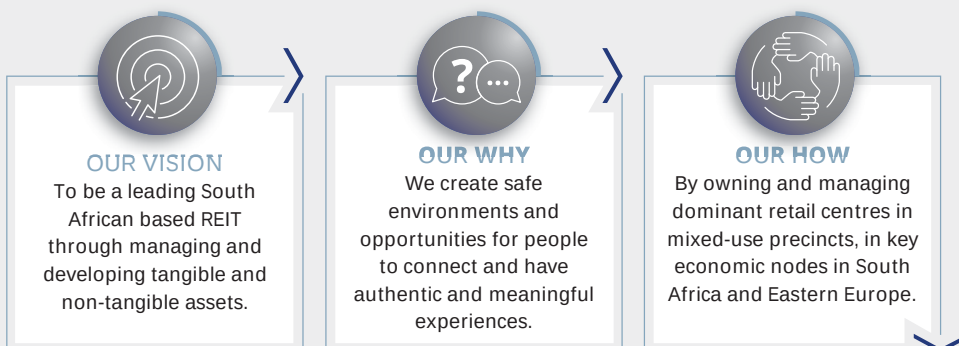
Spiro Noussis

Stewart Shaw-Taylor

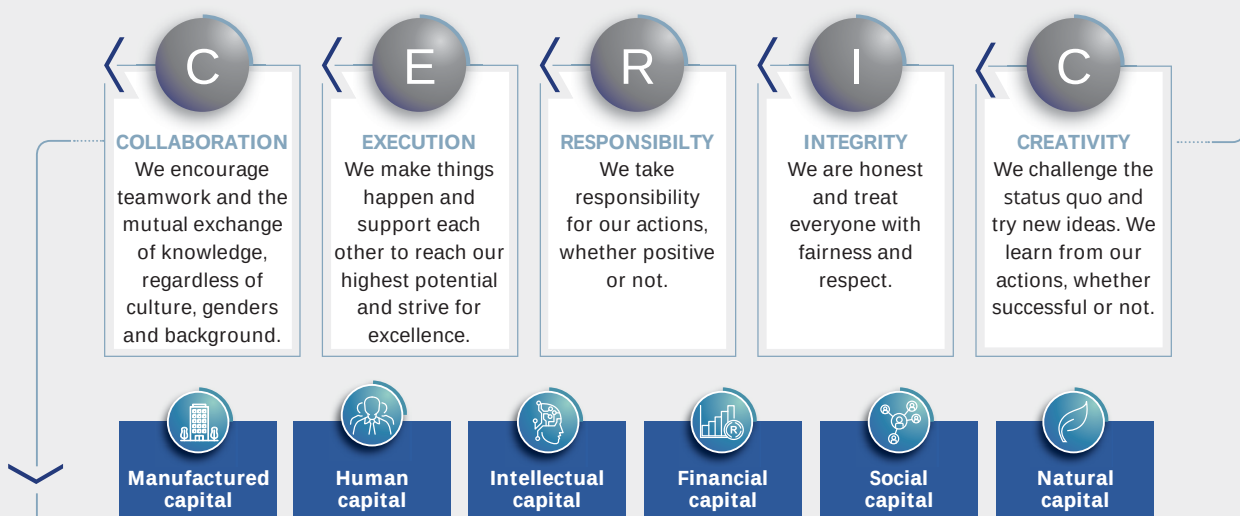
Brett Till

Morné Wilken

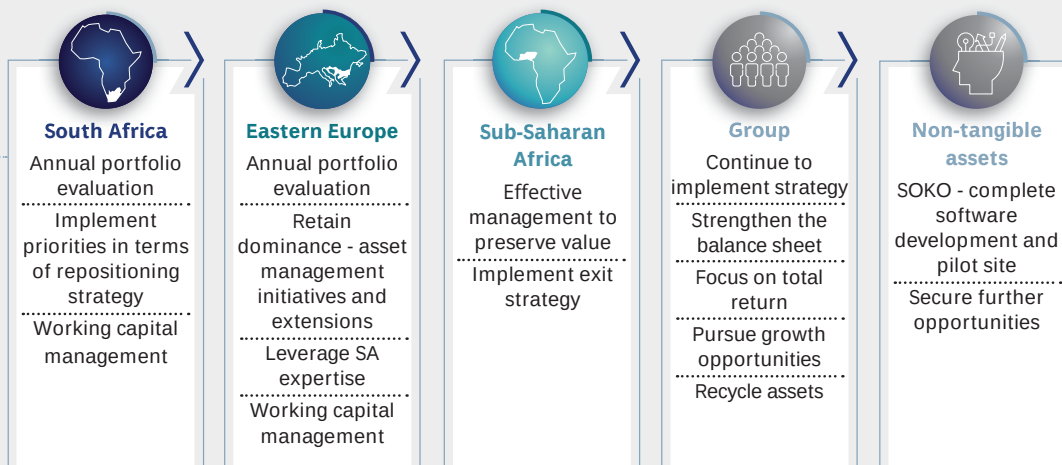
Purpose and values



Living our values



Priorities





Clearwater Mall, Johannesburg, South Africa

www.hyprop.co.za

2020 Highlights



Distributable income
excluding the direct impact of
Covid-19, of 664 cents per share,
in line with **guidance provided**
in September 2019

Covid-19

direct impact reduced
distributable income by
R434 million, to
493 cents per share



Balance sheet remains healthy despite
a reduction of R4.0 billion (13.9%) in the value of the property portfolio

All banking covenants met at 30 June 2020



Steps taken to strengthen the balance sheet

US Dollar-denominated
debt reduced
by **\$271 million**

Cash of
R1.2 billion retained
from distributable income
to repay debt



Good progress made on the repositioning of the SA portfolio

Relet 15 640m²
of the **Edcon** exposure and
agreed terms with the new
owners of the CNA, Edgars and
Jet stores (48 369m²)

Three new Checkers FreshX
stores secured

Solar projects **completed** at
Woodlands, The Glen and
Atterbury Value Mart



Hystead **acquired the remaining 10%** interest in
City Center One East and City Center One West in Zagreb, Croatia



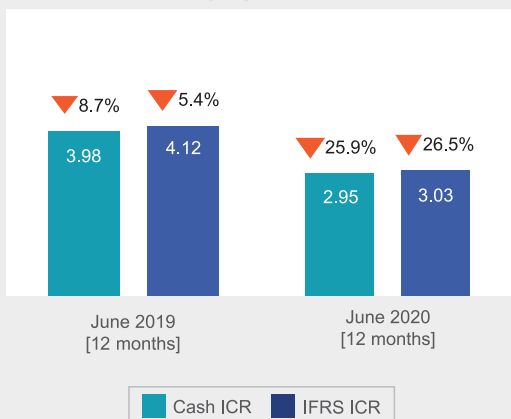
Positive progress made in exiting the sub-Saharan Africa investments

Achimota and Manda Hill
malls sold

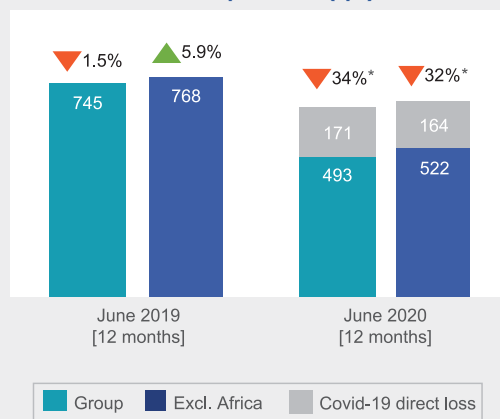
Key terms agreed for the
sale of Ikeja City Mall

2020 Key metrics

Interest cover ratio (ICR)

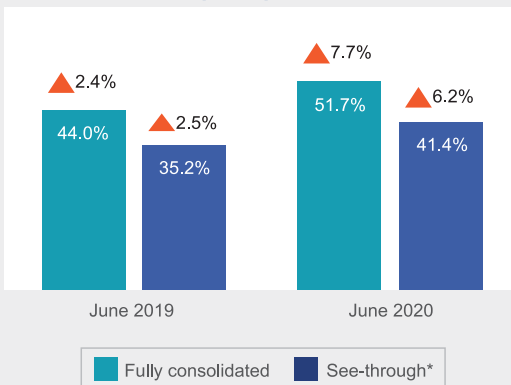


Distributable income per share (cps)



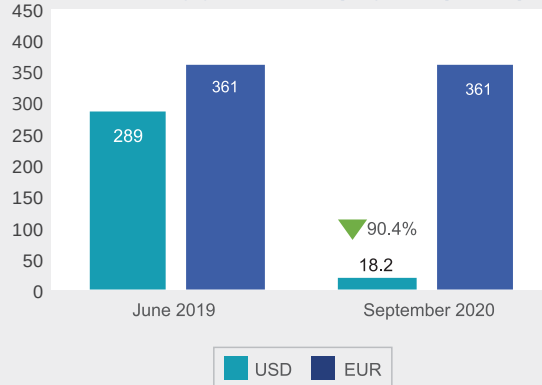
* Percentage change excluding Covid-19 direct loss

Loan to value ratio (LTV %)

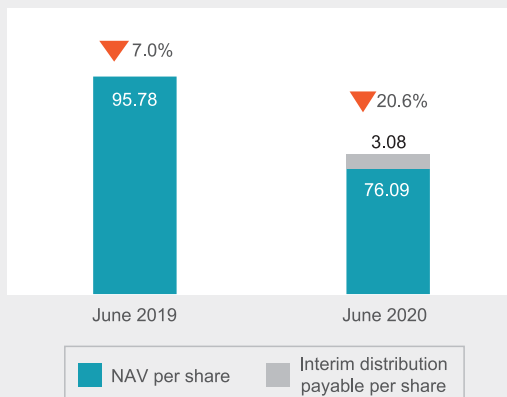


* Majority of banks use see-through methodology

Hard currency guaranteed equity debt (million)



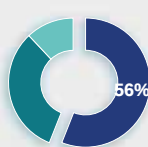
IFRS NAV per share (R)



Group overview



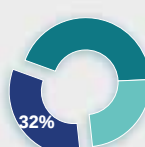
Investment property



Distributable income



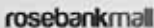
Borrowings*



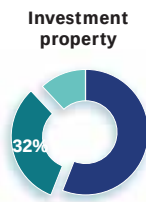
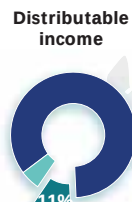
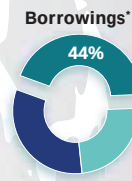
* On balance sheet borrowings and guaranteed "equity debt"



South African properties

	CANAL WALK	CLEARWATER	the Glen	woodlands	CapeGate
Effective % ownership	80%	100%	75.15%	100%	100%
GLA	158 894	87 033	80 129	71 821	64 238
Annual foot count	16.9m	8.6m	10.9m	7.2m	9.1m
	 SOMERSET MALL				Rosebank Precinct offices
Effective % ownership	100%	100%	100%	100%	100%
GLA	68 969	66 892	38 854	48 631	25 105
Annual foot count	9.2m	9.5m	3.6m	*6.0m	-

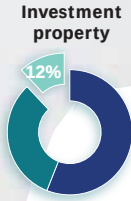
*Atterbury based on
2 passengers / vehicle



* On balance sheet borrowings and guaranteed "equity debt"

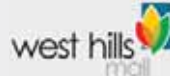
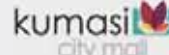
Eastern European properties

	 Belgrade Serbia	 Podgorica Montenegro	 Skopje North Macedonia	 Sofia Bulgaria	 East, Zagreb Croatia	 West, Zagreb Croatia
Effective % ownership	60%	60%	60%	60%	60%	60%
GLA	29 764	23 753	36 627	61 563	48 570	46 725
Annual foot count	7.9m	4.5m	6.6m	7.0m	5.6m	4.9m



* On balance sheet borrowings and guaranteed "equity debt"

Sub-Saharan African properties

	 Ikeja Lagos, Nigeria	 Accra Ghana	 West Hills Nairobi, Kenya	 Kumasi Ghana
Effective % ownership	75%	23.5%	29.4%	49.0%
GLA	22 223	21 311	28 272	18 604
Annual foot count	6.5m	6.4m	4.9m	6.7m

Business model

Our business model has been fine-tuned to give effect to our revised business strategy.

STRONG GOVERNANCE

The board recognises the importance of the triple context in which the Company operates

- economy
- society, and
- the environment

and seeks to ensure that operations are conducted in a manner that takes account of the six capitals:

- manufactured,
- human,
- intellectual,
- financial,
- social and relationship,
- and natural

OUR CAPITALS



MANUFACTURED CAPITAL

- Interests in a portfolio of property and investment assets valued at R48.5 billion
- Maintain the relevance of Hyprop's properties in line with global trends and customer needs
 - Reposition our malls
 - Improve dominance
 - Exit strategy for sub-Saharan Africa



HUMAN CAPITAL

- Our teams throughout the Group and their skills, knowledge and expertise
- Collaborative culture
 - Staff training and development



INTELLECTUAL CAPITAL

- Our business success is underpinned by the intellectual capital maintained in our human resources and systems
- Strong leadership team
 - In-house asset management team and in-house legal expertise to manage risk
 - Ongoing investment in systems and processes
 - Staff training and development



FINANCIAL CAPITAL

- Hyprop's capital structure and our established relationships with investors, banks and other funders across the globe
- Disciplined management of debt and equity
 - Recycling of capital
 - Working capital management
 - Total return to shareholders



SOCIAL AND RELATIONSHIP CAPITAL

- Our interactions with stakeholders inform Group strategy
- Sustainable total investment returns
 - Improve existing culture
 - Understand our shoppers in order to provide meaningful experiences



NATURAL CAPITAL

- Our role as a good global citizen, understanding our impact beyond our property assets, and our responsibility to reduce our environmental footprint

RISKS IN OUR OPERATING ENVIRONMENT

- Global pandemic or financial market crises
- Low GDP growth impacts business growth
- Slowing consumer spend affects retailers' trading densities, rent-to-sales ratios and our rental income
- Tenant failure by national / anchor tenants
- Increased cost of occupancy from rates, taxes and utilities
- Online shopping

- Shortage of skills may result in an inability to recruit required employees
- Increase costs of retaining key employees
- Succession planning

- Digital disruption
- Technology and business processes become outdated and inefficient
- Digitalisation
- Shortage of skills may result in an inability to recruit required employees and skills

- Downgraded sovereign and Company credit rating impacting borrowing costs
- Multi-currency and refinancing risks associated with the Group's funding structure and gearing
- Interest rate hedging profile
- Impact of Covid-19 on cash collections and arrears
- Refinancing risk amidst Covid-19

- Over supply of retail space in the market
- Increased crime at shopping centres
- Perception of unsafe shopping environment due to Covid-19

- Introduction of carbon tax
- Failing to meet primary environmental targets (energy, water, recycling and carbon consumption)
- Disrupted water and electricity supply at shopping centres

Trading density:



R2 843/m²

€242/m²

Retail vacancies:



2.4%

0.9%

Rent ratio:



9.6%

Effort ratio:



10.8%



Distributable income
(cents per share)
493c

In expanding, enhancing, diversifying and optimising our portfolio to deliver sustainable returns we take into account our full universe of stakeholders.

STRATEGIC ACTIVITIES

- Provide a range of retail, entertainment and related services to residents and workers within a mixed-use precinct
 - Working with tenants to reduce the cost of occupancy and improve trading densities
 - Demographic studies and annual evaluation of malls
 - Spread quantum and value of leases expiring on an annual basis
 - Embrace online retailers and provide facilities for them to distribute their products via our malls
-
- Maximising the Group's human and intellectual capital in a collaborative and results-orientated culture
 - Retention strategy and policy includes performance incentives, remuneration benchmarking, personal development plans, career goals and transformation targets
-
- Non-tangible asset strategy
 - Invest in the development of technologies in the retail, property and infrastructure spaces that will have a direct impact on our business
 - Use of technology to improve efficiencies
 - Staff retention strategy and policy
 - Staff training programmes
-
- Disciplined management of debt and equity, recycling of capital
 - Strengthen the balance sheet by optimising capital allocation and distribution ratio
 - Maintain adequate liquidity/bank facilities to refinance short-term debt
 - Maintain strong relationships with lenders
 - Interest rate hedging policy adopted by the board
 - Focus on total return, sustainable distributable income, and cash-backed earnings / distributions
 - Clear, transparent and regular engagement with investors
-
- Workshops with major tenants to address common challenges
 - Shopper surveys to strengthen Hyprop's and tenants' operations
 - Demographic studies for all malls
 - Implement relevant guidelines, protocols and preventative measures recommended by WHO and local health authorities
-
- Monitoring our impact on the sustainability of the communities and environment in which we operate
 - Focus on reducing consumption of natural resources
 - Voluntarily participate in global environmental benchmarking programmes

ACHIEVEMENTS AND VALUE CREATED FOR STAKEHOLDERS



TENANTS

- R212 million invested in mall upgrades and expansions in South Africa
- 345 leases signed over 126 942m² of GLA
- Covid-19 rent relief for tenants R455m
- Tenant retention rate of 91% (SA)



EMPLOYEES

- Employee retention rate of 95.2%
- 19 internal placements / promotions (SA)
- Percentage of black employees increased to 64% (SA)
- Percentage of black senior management employees increased to 9% (SA)



FUNDERS AND INVESTORS

- Retained R1.2bn of cash from distributions to repay debt
- Reduced USD-denominated debt by \$271m
- R500m available revolving credit facilities
- Interest cover ratio 3.03 times
- Roadshows and presentations to equity and bond investors



SUPPLIERS

- Fair business practices and tender processes
- Efficient contract management



REGULATORY BODIES

- Submission of all applicable statutory reports
- Compliance with relevant acts and regulations



COMMUNITIES

- 39 NPOs benefitted from the Hyprop Foundation
- 29 NPOs benefitted from free space in our malls to generate funds and awareness



ENVIRONMENT

- 77% of waste in SA portfolio recycled
- 12 232 GJ direct renewable energy consumption from solar PV
- Canal Walk 5-Star Greenstar Rating
- Retrofitting green-design principles to existing buildings
- Installation of solar-photovoltaic plants at Hyprop's Gauteng malls

Interest cover
ratio (times):



3.03 times

2.25 times



LTV

See-through: 41.4%
Fully consolidated: 51.7%

NAV per share:



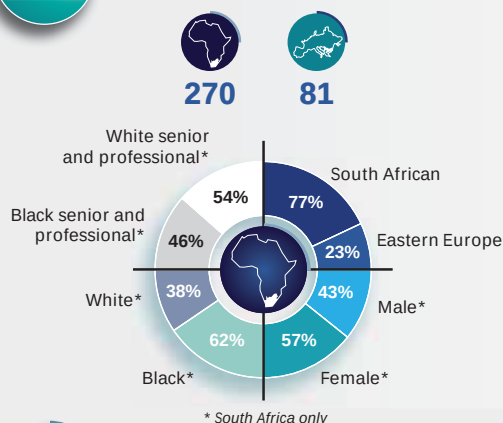
R76.09

Our stakeholders

Building sustainable relationships with our stakeholders is critical to delivering returns for investors and meaningful experiences for our shoppers. Our ability to successfully create value is based on the quality of our relationships with our stakeholders.



EMPLOYEES



Their needs and expectations

- Fair remuneration practices
- Training and development
- Job security
- Transformation

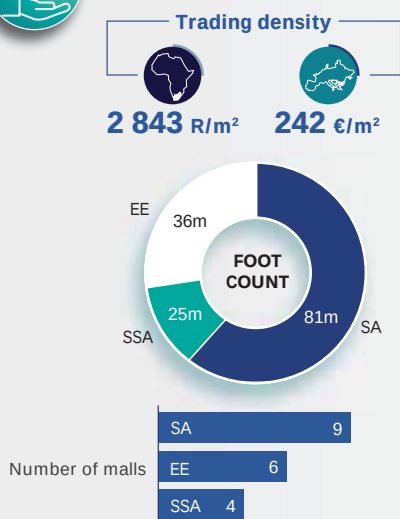
Engagements

- Performance-based remuneration structure
- Training programmes to support career goals and transformation targets
- Employee surveys and performance evaluation
- Coffee@Hyprop (Group-wide communication)
- In-house newsletters

CAPITALS



TENANTS



Their needs and expectations

- Attracting shoppers
- Increasing foot count
- Improving the quality and sustainability of shopping centres
- Reducing the cost of occupancy

Engagements

- Marketing projects and events
- Optimising tenant mix
- Spent R203m on refurbishments, new equipment and sustainable technology
- R9m spent on tenant installations
- R455m Covid-19 rent relief for tenants
 - SA R242m
 - EE R191m
 - SSA R22m

CAPITALS



REGULATORY BODIES



Their needs and expectations

- Compliance with regulations

Engagements

- Submission of all applicable statutory reports / returns
- Compliance with relevant acts and regulations
- Participation in professional bodies and industry organisations

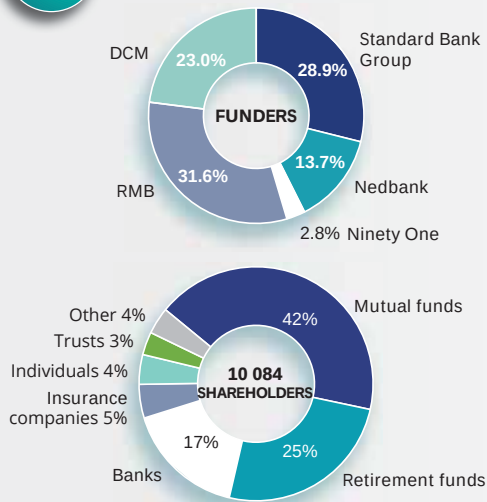
CAPITALS



Hyprop's stakeholder programme allows for structured and constructive engagements at appropriate levels of the organisation. Through our interactions we can identify their priorities, interests, concerns and expectations. Feedback received through these interactions informs our strategic response.



FUNDERS AND INVESTORS



Their needs and expectations

- Long-term sustainable total returns
- Conservative balance sheet and debt management
- Governance
- Compliance with bank covenants

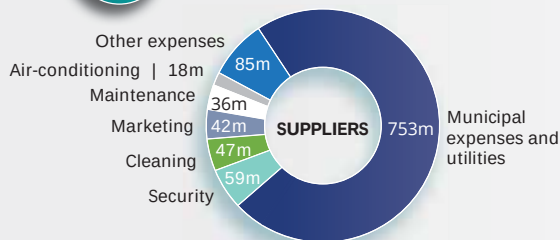
Engagements

- Transparent, accurate, meaningful and timely reporting
- Investor perception poll
- One-on-one meetings
- Annual and interim results presentations
- Pre-close presentations
- Site visits
- Weekly meetings with major lenders

CAPITALS



SUPPLIERS



Their needs and expectations

- Sustainable partnerships
- Clear and fair contracting terms
- Timely payments

Engagements

- Fair business practices and tender processes
- Efficient contract management
- Moving towards improved BBBEE procurement profile and supporting enterprise development initiatives

CAPITAL



ENVIRONMENT AND SOCIAL



- 77% total waste by volume recycled
- FTSE4Good constituent
- Participation in inaugural South African Bio Diversity Project (BDP)
- 6th successive participation in GRESB & submission to CDP (carbon submission)
- 5-Star Greenstar rating for Canal Walk

Their needs and expectations

- Support vulnerable communities
- Resource conservation
- Meaningful, safe and authentic shopping experience

Engagements

- Regular foundation events and fundraising activities
- Education and community upliftment-focused projects
- Shopper surveys
- Monitoring and adapting to global retail trends
- Multiple social touchpoints throughout the portfolio
- Creating spaces where families can spend quality time
- Hosting different events to attract shoppers with varied interests

CAPITALS



Risk and opportunity management

The primary objectives of the Hyprop risk management process are to ensure that risk awareness is embedded in strategy discussions at board level, in day-to-day operations and processes, and to minimise uncertainty regarding operational performance by anticipating risks and associated costs and losses.

Risk management forms an integral part of normal operations, processes and activities, and a culture of risk awareness endures. The Group also monitors and reports on industry risk trends. These principles were rigorously applied throughout the Covid-19 pandemic in 2020 and allowed the Group to safely navigate its way through the challenges presented by the global pandemic. Our systematic approach to identifying and analysing risk, and the actions taken to mitigate or counter the risks meant the Group was able to implement preventative risk mitigation procedures swiftly and effectively.



RISK APPETITE AND TOLERANCE

Hyprop views risk management as a core competency critical to sustainability. The Group employs a structured and disciplined approach to group-wide risk management, with the objective of maintaining a balance between risk and value creation.

The foundation of any organisation's risk management framework is its tolerance for risk. By definition, risk tolerance specifies how much risk an organisation is willing to accept in the pursuit of its business objectives. At Hyprop, risk will not be tolerated in instances where, if the risk event occurs, it could cause any one, or more, of the following:

- The inability to meet any of the Group's core service obligations within prescribed timeframes
- The death, or serious injury, of a tenant, customer or an employee while on duty
- The inability to meet any of the Group's financial obligations
- Reputational loss to the Group, such that its ability to operate effectively is seriously impacted.

These underlying risk tolerance principles are encoded in Hyprop's formal working documents and processes, for example:

- Policy documents, approved by the board, which regulate how, and to what extent, certain risks are mitigated through specific actions and procedures
- A board charter that sets out the powers which have been reserved by the board, and a delegation of authority defining the authorities delegated to management
- An annual budget with targets for financial performance and guidance for reporting variances between actual and budgeted results
- Continuous monitoring of key performance metrics (for example, foot counts, trading densities, rent reversions, cash collections and banking covenants)
- Key Performance Deliverables (KPDs) assigned to executives as part of Hyprop's performance management process (refer to our remuneration report on page 75).



Hyde Park Corner, Johannesburg, South Africa

EMERGING MATERIAL RISKS

The global property industry is susceptible to changing economic, political and other factors which introduce new risks or change the nature of existing risks for the industry. The following risks emerged or were heightened during the year as a result of the deteriorating economic environments in South Africa and sub-Saharan Africa, as well as the global spread of Covid-19:

Emerging risk event	Group response
Global disruption event or financial market crises 	<p>The global spread of Covid-19 in the first quarter of 2020 resulted in national lockdowns in all jurisdictions where the Group operates, forcing most of the Group's tenants to temporarily close their businesses. The impact on the Group was significant, affecting the Group's ability to charge normal rentals, increasing tenant arrears, reducing property values and increasing the risk of tenant business failures. The additional responsibility of ensuring the health and safety of all employees, shoppers and tenants also arose.</p> <p>Under the supervision of the Group's Audit and Risk committee strategies and actions were implemented to ensure compliance with government-imposed health and safety protocols, to assist tenants through rental discounts and deferrals, and to monitor cashflow and liquidity.</p>
Refinancing and liquidity risk 	<p>As a result of Covid-19 global financial markets reacted with unprecedented volatility. Risks associated with refinancing maturing debt increased, evidenced by a lack of appetite from bond holders to refinance maturing obligations. Cash collections from tenants reduced as tenants managed their own cashflows.</p> <p>Support from the Group's lender banks remained strong, allowing the Group to comfortably refinance maturing debt obligations. Cashflow and liquidity were continuously monitored to ensure that all financial obligations could be met. The Group has also deferred payment of its interim, and declaration of its final, distributions for the year ended 30 June 2020 to preserve liquidity in light of the uncertain operating environment.</p>
Decrease in the value of investment properties 	<p>As a result of the deteriorating economic environment in South Africa prior to, and as a result of, Covid-19, the valuations of the Group's investment property portfolios came under pressure. The most significant consequence of a decrease in investment property valuations is the impact on LTV ratio covenants in terms of borrowing agreements.</p> <p>Banking covenants were stress tested for changes in property valuations and other economic variables. Regular discussions were held with the Group's major lenders to consider strategies to deal with the Covid-19 risks and avoid a breach of banking covenants. This ensured that the Group complied with all of its banking covenants at 30 June 2020.</p>
Multi-currency funding structures used in the Group's Eastern European operations 	<p>The risks arising from the use of Rand denominated assets to guarantee Euro denominated borrowings in the Group's Eastern European portfolio were highlighted following the rapid depreciation of the Rand against the Euro between March and June 2020. This placed additional pressure on the Group's LTV ratio.</p> <p>Subject to an agreement between the Hystead shareholders, the following steps are being taken to address the risks posed by the funding structure:</p> <ul style="list-style-type: none"> • Restructuring the current Hystead funding arrangements between Hyprop and PDI; • Withholding distributions by Hystead to Hyprop for the 2020 and 2021 calendar years, and utilising the retained cash to settle Euro denominated equity debt; and • Refinancing a portion of the Euro denominated equity debt with Rand denominated debt.
Business failure by a major tenant or tenant group 	<p>Due to the national lockdowns imposed as a result of Covid-19, the majority of the Group's tenants were not able to trade during all or part of the lockdown periods. This had a negative impact on many tenants' businesses and the Group has assisted tenants by granting rental discounts and/or deferrals. The recovery from Covid-19 to previous trading levels is anticipated to take some time and we continue to assist tenants, where appropriate, to ensure we have functional malls and maintain occupancy levels.</p> <p>As a result of the foregoing, the risk of tenant business failures has increased and has impacted the Group, most notable of these was the Edcon Group which filed for business rescue in April 2020. We continue to monitor tenant concentration risk and identify potential replacement tenants where we are concerned about the financial stability of any tenant group.</p>

 **RO** External risks
Outside the control of management

 **RM** External risks
Mitigated by management

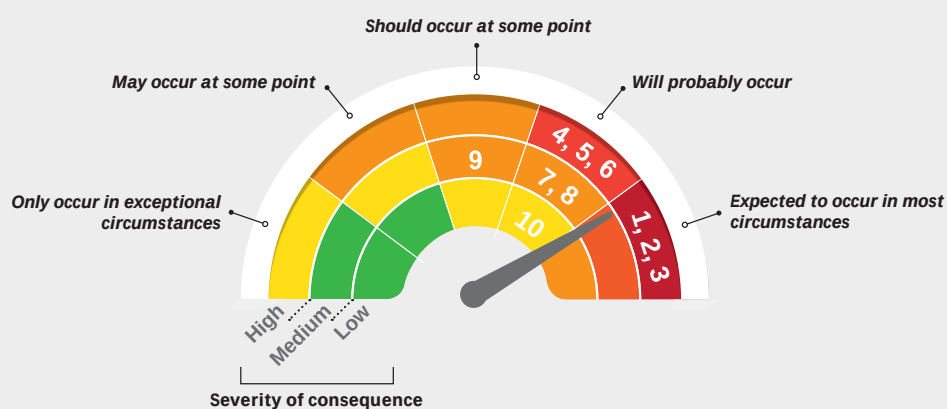
 **IR** Internal risks
Under the control of management

 Risk level / impact

RESIDUAL RISKS

Residual risk is the remaining risk exposure after all identified mitigation measures have been applied. The residual risk rating for the Group's current top 10 risks are outlined in the heat map and tables below. The external factors affecting each risk which are beyond management's control are key contributors to the current high residual risk ratings. Due to the Covid-19 pandemic and the economic consequences thereof, several of these key risks materialised in the 2020 financial year.

Top 10 risks heat map



Global disruption event	1	6	Refinancing
Multi-currency funding structure	2	7	Digital disruption
Property valuations	3	8	REIT status
Low GDP growth	4	9	Oversupply of retail space
Slowing consumer spending	5	10	Deterioration of municipal services

TOP 10 RISKS

2020 Risk ranking	2019 Risk ranking	Key risk	Strategic objectives	Impact	Strategic response/mitigation	Changes to risk in the reporting period
1 	Not in top 10 risks	Global disruption event or financial market crises	<ul style="list-style-type: none"> Focus on sustainable distributable income growth and total return to shareholders 	<ul style="list-style-type: none"> Closure of shopping centres Reduced rental income if tenants cannot trade Negative effect on liquidity and ability to refinance debt Slowdown in consumer spending Tenant failures Hampers implementation of repositioning strategy 	<ul style="list-style-type: none"> Maintain liquidity through available debt facilities and cash balances Diversified portfolio and tenant base which includes income from non-tangible assets Fixed minimum monthly rentals (not only turnover based) 	New to top 10 risks
2 	10	Multi-currency risks associated with the Group's funding structure and gearing	<ul style="list-style-type: none"> Strengthen the Group's balance sheet Reduce LTV ratio 	<ul style="list-style-type: none"> Increased LTV ratio due to devaluation of the Rand Increased cost of borrowing due to currency mismatches Ability to refinance maturing debt Breach of banking covenants 	<ul style="list-style-type: none"> Matching currency between borrowings and secured assets/income to service borrowings Optimal capital allocation Maintain unencumbered assets Maintain available bank facilities Maintain strong relationships with lenders 	Increased
3 	Not in top 10 risks	Decrease in property valuations	<ul style="list-style-type: none"> Strengthen the Group's balance sheet Reduce LTV ratio Focus on total return to shareholders 	<ul style="list-style-type: none"> Negative impact on LTV ratios and banking covenants Negative returns for shareholders 	<ul style="list-style-type: none"> Ongoing monitoring of banking covenants Cash retention from operating profits to reduce debt Maintaining adequate liquidity to refinance short-term debt Maintain conservative gearing levels and high interest cover ratio Maintain strong relationships with lenders 	New to top 10 risks
4 	1	Low GDP growth impacts business growth	<ul style="list-style-type: none"> Focus on sustainable distributable income growth and total return to shareholders 	<ul style="list-style-type: none"> Slower retail sales growth affects retailers' financial positions and ability to pay rent Rent reversions impact net operating income and property valuations 	<ul style="list-style-type: none"> Hyprop shopping centres are well established, in dominant locations and attract flagship stores Maintain relevance of malls by diversifying and optimising tenant mix, entertainment and other offerings based on market research and demographic studies Improve customer interaction through technology 	Decreased



2020 Risk ranking	2019 Risk ranking	Key risk	Strategic objectives	Impact	Strategic response/mitigation	Changes to risk in the reporting period
5 	2	Slowing consumer spend affects retailers' trading densities and rent-to-turnover ratios	<ul style="list-style-type: none"> Focus on sustainable distributable income growth and total return to shareholders 	<ul style="list-style-type: none"> Leases not renewed Discounted rentals to retain tenants Tenants more cautious on renewals and new lettings Tenants reduce space Increase in vacancies, slower extension plans 	<ul style="list-style-type: none"> Contractual lease income with financially sound tenants (most are reputable national companies with strong balance sheets and proven business models) Model for sustainable rental growth to reduce reversions Manage total cost of occupancy for tenants 	Decreased
6 	6	Inability to refinance maturing debt	<ul style="list-style-type: none"> Strengthen the Group's balance sheet Reduce LTV ratio 	<ul style="list-style-type: none"> Inability to raise funding on competitive terms Increased cost of borrowings Credit default Reduced liquidity 	<ul style="list-style-type: none"> Spreading the amount of debt maturing in any financial year Cash retention from operating profits to reduce debt Maintaining adequate liquidity to refinance short-term debt Maintain conservative gearing levels and high interest cover ratio 	No change
7 	9	Digital disruption	<ul style="list-style-type: none"> Embrace technology to enhance the profitability of our shopping centres 	<ul style="list-style-type: none"> Inefficient business processes through under-utilisation of technology Digital disruption impacts performance of retail tenants' business Loss of contact with shoppers 	<ul style="list-style-type: none"> Embrace digital disruption Optimise business processes through efficient use of technology Develop revenue streams from non-tangible assets Introduce alternative uses for vacant areas of malls 	Increased
8 	Not in top 10 risks	Loss of REIT status	<ul style="list-style-type: none"> Focus on sustainable distributable income growth and total return to shareholders 	<ul style="list-style-type: none"> Distributions to shareholders not tax deductible Capital Gains Tax payable on disposals Reduced returns for shareholders 	<ul style="list-style-type: none"> Identify mechanisms to retain cash while meeting minimum distribution requirements (for example DRIPs) Engage with regulators Reduce distributions to minimum requirements 	New to top 10 risks
9 	Not in top 10 risks	Oversupply of retail space in market	<ul style="list-style-type: none"> Focus on sustainable distributable income growth and total return to shareholders 	<ul style="list-style-type: none"> Discounting rentals to attract tenants Increased vacancies Declining foot counts and trading densities 	<ul style="list-style-type: none"> Maintain relevance of malls by diversifying and optimising tenant mix, entertainment and other offerings based on market research and demographic studies Improve customer interaction through technology 	New to top 10 risks
10 	8	Deterioration of municipal services, electricity and water supplies	<ul style="list-style-type: none"> Reposition malls Improve trading densities 	<ul style="list-style-type: none"> Poor service delivery leads to increased operating costs Disruption to operations impacting customer dwell times 	<ul style="list-style-type: none"> Industry engagement with local governments and councils through central improvement districts Installation of solar plants and back-up generators Implement alternative water supply systems 	Decreased

OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

One of the perceived material risks to the retail sector is digitalisation and online shopping. Our approach remains to embrace the digital disruption which is transforming many traditional market sectors, including the retail and property sectors.

To this end, the Group's activities are being expanded to develop relevant non-tangible assets arising from this digital disruption. Our disruptive technology strategy is multifaceted, and includes:

- Increasing the use of technology in our business to improve efficiencies;
- Using technology to improve interaction with shoppers, particularly millennials who represent a growing proportion of consumers, and whose needs and shopping habits are changing the way we and our tenants approach our businesses;
- Embracing online retailers and providing facilities for them to either distribute their products via our malls or through co-trading environments within the malls; and
- Investing in the development of disruptive technologies which will have a direct impact on our business, be it in the property or retail sectors. This will include the funding and development of new technologies in collaboration with technology innovators.

SOKO district innovation project

SOKO District (previously Retail.nxt) is a digital platform that will enable retailers to integrate online and traditional retail strategies.

SOKO means "market" in Swahili and the SOKO District will be a marketplace where retailers can rent space and reusable shopfittings via a flexible digital leasing platform, without the significant financial commitments in the traditional retail environment. The leasing platform is powered by data-driven shopper, product and trend analyses, resulting in location recommendations that will match retailers, products and shoppers, across our portfolio.

Although SOKO will initially target online retailers seeking to promote and market their products, the platform will also be relevant to traditional retailers, particularly emerging and smaller businesses looking to bring their products to market in an affordable manner. The SOKO digital platform will include an online shopping portal, which will facilitate online transactions and distribution via the SOKO District, and will allow traditional retailers to select the most appropriate location from which to launch and market their products.

Development of the SOKO software platform is progressing well, with a pilot SOKO District scheduled to be operational at the Rosebank Mall in the first quarter of 2021.

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Response to Covid-19

Hyprop supports the actions taken by the governments in the countries where we operate to mitigate the spread of Covid-19. Our top priority has been to protect the health, safety and wellbeing of our tenants, customers and personnel. Our response focused on awareness and educational campaigns in terms of best practices outlined by the World Health Organization.

Under the supervision of Hyprop's risk committee, we established Covid-19 task teams covering our South African, Eastern European and sub-Saharan Africa (excluding South Africa) operations. The teams implemented the relevant guidelines, protocols and preventative measures recommended by the World Health Organization, local health authorities and governments.

Weekly meetings were held by the Audit and Risk committee and executive management throughout the Covid-19 lockdown periods to monitor and manage the risk and impact of Covid-19 on the Group, and the operational and financial responses required to manage these risks. Weekly meetings were also held with the Group's major lenders to discuss cashflows and strategies to deal with the Covid-19 risks.

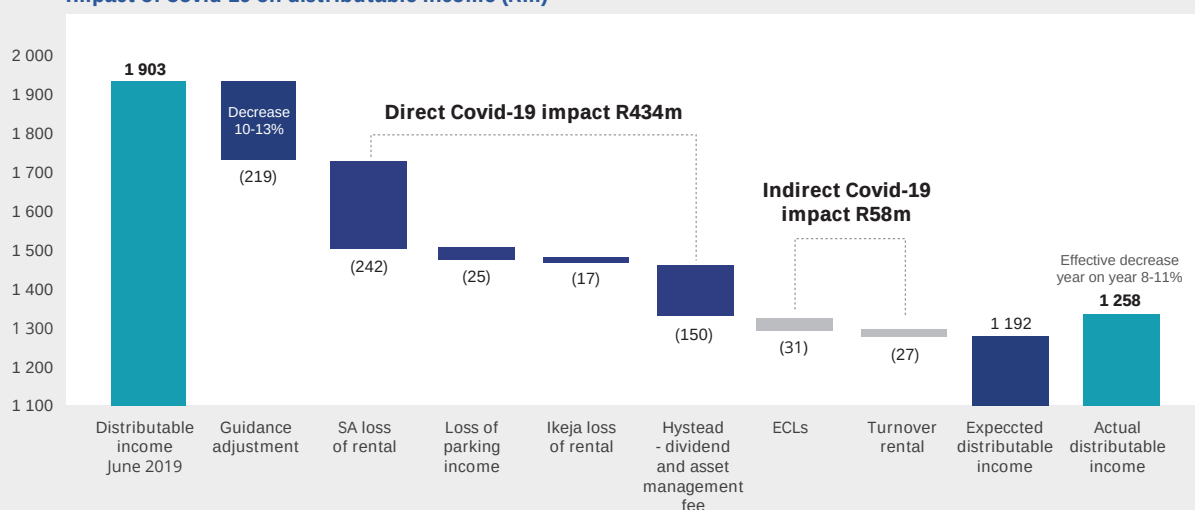
We worked (and continue working) with all service providers to maintain the highest standards of safety and hygiene in our malls to safeguard against the potential transmission of Covid-19. Precautionary measures implemented include enhanced cleaning procedures and hygiene protocols. We have installed hand sanitisers at mall entrances, customer care kiosks, restrooms and other high traffic areas.

Cleaning and disinfecting protocols have been enhanced, with particular attention being paid to high touch zones, public contact points, back of house and delivery areas. All tenants are encouraged to implement precautionary measures for their stores and personnel, as we have done for our own staff through the provision of masks and hand sanitisers, encouraging staff to work from home where possible, and accommodating staff who need to look after children and other vulnerable family members.

Our response campaigns have been flighted across all the malls' social media handles and are accompanied by strong in-centre media campaigns (via LCD screens, PA systems and physical advertising mediums).

The direct impact of Covid-19 on the Group's distributable income for the year was R434 million, which includes discounts on contractual rentals in South Africa (R242 million) and Nigeria (R17 million), reduced parking and other income of R25 million in South Africa and no dividend and management fee income from Hystead in the second half of the financial year (anticipated R150 million). Covid-19 had a further indirect impact of R58 million on distributable income as a result of an increase in expected credit losses on the outstanding rentals in South Africa and Nigeria, and reduced turnover rentals in South Africa.

Impact of Covid-19 on distributable income (Rm)

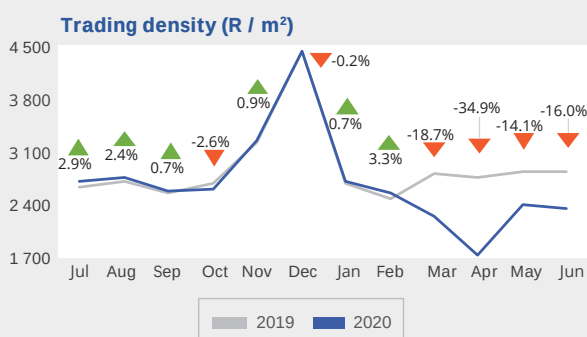


SOUTH AFRICA

Subsequent to President Ramaphosa's announcement on 23 March 2020, South Africa entered a 21 day lockdown (level 5) period from 27 March 2020 to 16 April 2020, aimed at curbing the spread of the Covid-19 virus. The lockdown was extended by a further 14 days to 30 April 2020. The impact on the retail sector, and the resultant trading restrictions, was severe with only stores providing essential products and services allowed to trade.

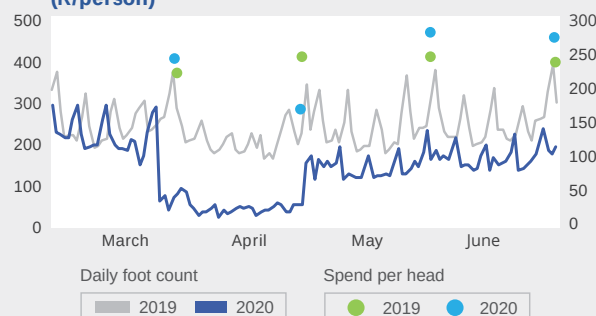
With the easing to Lockdown Level 4 from 1 May 2020, more categories of stores were permitted to trade. Under Lockdown Level 3 (effective 1 June 2020) all tenants were able to trade, other than cinemas, entertainment and personal care tenants.

Subsequent to the year end, trading conditions for many tenants remain difficult as they struggle to rebuild their businesses in a weak SA economy. We continue to assist key tenants where appropriate.

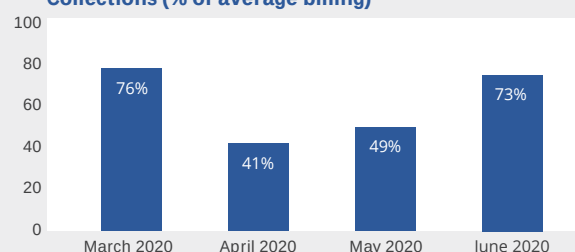


The impact of Covid-19 on key operating metrics for the SA portfolio was severe.

Daily foot count (thousands) and spend per head (R/person)



Collections (% of average billing)

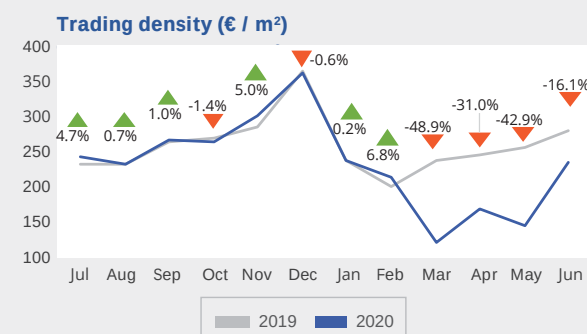


EASTERN EUROPE

Lockdowns were imposed by governments of the Eastern European countries where the Group operates from mid March to mid May 2020. Most tenants resumed trading immediately lockdowns were lifted, other than cinemas and restaurants in some of the regions. Food court tenants were only permitted to serve take-aways and remain subject to strict physical distancing restrictions.

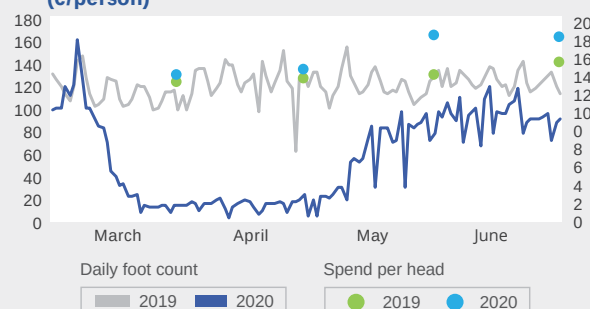
Rent relief packages were agreed with approximately 91% of tenants accepting our proposals. As compensation for these concessions, lease periods have been extended.

Trading conditions post 30 June 2020 remain challenging with foot counts and trading densities at most malls below 2019 levels.

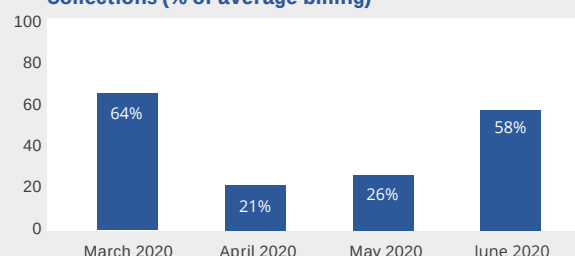


Foot count and trading density at all Hystead malls were impacted by the national lock downs, as were cash collections from tenants.

Daily foot count (thousands) and spend per head (€/person)



Collections (% of average billing)



SUB-SAHARAN AFRICA

Ghana (Accra Mall, West Hills Mall, Kumasi City Mall)

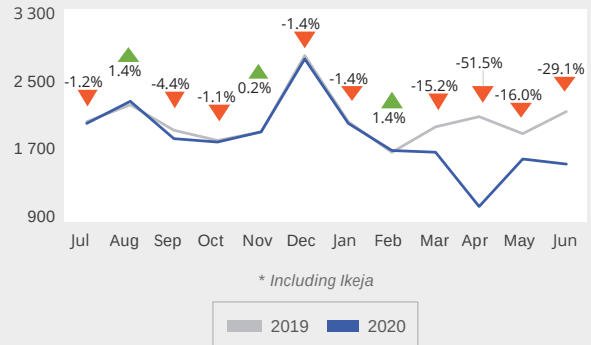
The lockdown introduced in Ghana on 30 March 2020 was lifted on 21 April 2020. At 30 June all centres were operational and almost all tenants were trading, save for the cinemas. Restrictions in respect of physical distancing and social gatherings remain in place and although restaurants are allowed to trade, restrictions on the number of customers allowed in restaurants and eateries are hampering the ability of food tenants to trade optimally.

Nigeria (Ikeja City Mall)

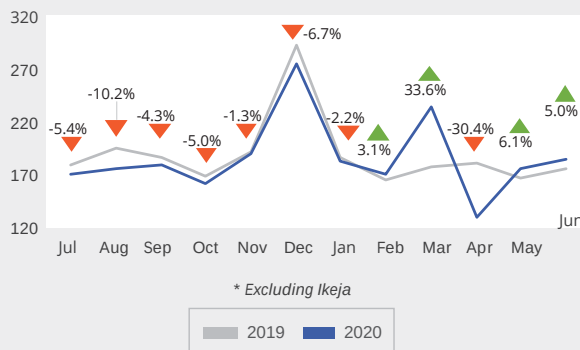
In Nigeria a lockdown was implemented on 30 March 2020 and lifted on 4 May 2020. Borders and ports remained closed. Ikeja City Mall is operational however, food operators may offer take-aways only, with no in-dining allowed. All health and hygiene protocols remain in place.

Notwithstanding a sharp rebound in trading densities at the Ghana malls foot counts and cash collections remained below 2019 levels.

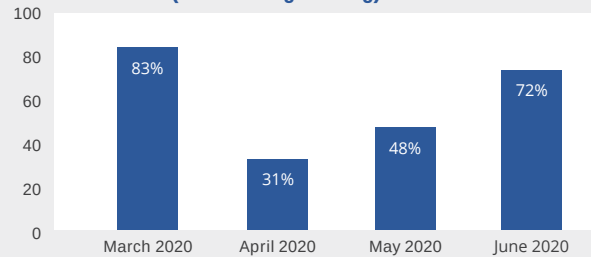
Foot count (thousands)



Trading density (\$ / m²)



Collections (% of average billing)



OVERCOMING THE CHALLENGE

To overcome the challenges we face as a result of Covid-19, we are working in partnership with all our stakeholders to find solutions that will give our stakeholders a chance to emerge from these challenges with their businesses intact. A number of our tenants are reviewing their business models in light of the Covid-19 pandemic and we are working closely with them to design a collective offering that appeals to shoppers who frequent our malls. We will continue to assist key tenants, where appropriate, to ensure we have functional malls and acceptable occupancy levels.

Our staff have returned to work on a rotational basis to lower the risk of the possible spread of Covid-19. Strict hygiene and physical distancing protocols remain in place.

We commend our front-line staff who ensured that our malls remained open for those tenants that could trade throughout the lockdown periods.

Our vision remains to create safe environments for people to connect and have authentic and meaningful experiences.

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Chairman's statement



GAVIN TIPPER

Chairman of the board

A year ago I commented that 2019 had been difficult for property companies. With the South African property index down 45.1% in the 12 months to 30 June 2020, the current year eclipsed that.

We started the year with a weak economy and little prospect of the structural reforms necessary to catalyse growth. Covid-19 then decimated economies around the world and despite substantial levels of economic stimulus, the damage to date has been significant and will take time to repair. Unfortunately, further economic damage is likely to manifest either as a result of the lockdowns to date, actions taken in relation to any second or subsequent waves, or as a consequence of the vast stimulus applied to rebuild economies.

The damage to South Africa's economy as a result of the pandemic, and the lockdowns, was significant and as further data emerges predictions regarding the likely actual damage seem to get worse rather than better. The property industry was severely affected with the retail sector facing unprecedented challenges. The restrictions placed on trading in the initial stages of the lockdown meant that only retailers

classified as essential providers were able to trade, and although this was relaxed in subsequent levels of lockdown, many of our shoppers have limited their mall visits, partly as a reaction to the risk of infections in public places and partly for financial reasons.

FINANCIAL PERFORMANCE

Distributable income for the year was R1 258 million, a decrease of 34% from 2019. The decrease was the result of Covid-19 impacts, rent reversions in South Africa, the full year impact of the Edcon discount and additional interest costs as a result of the refinancing of US Dollar-denominated debt back into Rands in 2019.

The board has deferred a decision on the settlement of the interim dividend and the payment of the final dividend. As a REIT Hyprop is required to distribute 75% of its qualifying earnings for the year by 31 December 2020, and consideration is being given to options that will allow for the retention of some level of cash by the Company, given the importance of liquidity and lower levels of gearing in these uncertain times.



SOUTH AFRICA

Our South African portfolio is a generally resilient collection of high quality shopping malls together with some office accommodation. While the impact of the pandemic overshadowed the underlying performance for the year, it was pleasing to see an increase in trading density in the period to February 2020, as well as improvements in a number of other operational metrics. Concerningly, negative rent reversions continued with a combination of low economic growth, an exceptionally competitive retail market and relatively high administered inflation

placing significant pressure on our tenants, and affecting their ability to maintain rental levels.

Although the increase in property and other operating expenses was limited to 1%, that was largely a function of reduced activity during the lockdown period. The administered price increases being levied on properties are a concern and unless moderated will discourage investment in retail assets.

The increase in vacancy levels during the year reflected the difficult economic environment, exacerbated by Covid-19.

Encouragingly, we have introduced a number of new tenants that have, and will, bring fresh levels of energy to the properties. The Edcon risk that existed a year ago has largely been addressed through new leases with the buyers of the Edcon assets, albeit at lower rentals, and replacement tenants for limited areas.

The valuation of the South African portfolio decreased by 13.9% over the financial year as a result of rent reversions,

and increases in the discount, capitalisation and exit capitalisation rates. We will continue to invest in our properties, with due regard for the uncertain environment and the importance of preserving cash, and while further valuation declines are possible, the health of the balance sheet has been improved and should continue to improve. A groupwide project has been implemented to better position our properties to meet changing shopper needs, to reevaluate the most effective use of space, including space that may become available in future, and to use technology to drive improved returns, thereby supporting long term values.



EASTERN EUROPE

A satisfactory performance for the first half of the year was again negated by the impact of lockdowns on the properties. A large proportion of the income from the portfolio is turnover based and while essential services tenants traded throughout the year, rental income for the period March to June 2020 reduced by Euro 11 million. Hystead did not declare a dividend in the second half of the financial year with earnings instead being retained to provide a buffer.

The operating results for the portfolio prior to Covid-19 were positive and reflected an improving trend, partly as a result of a number of asset management initiatives. We remain focused on increasing the dominance of the malls in their catchment areas and investing to ensure that they

are attractive to tenants and are able to retain and grow their shopper bases. Although Eastern Europe has not experienced the same changes to shopping behaviour as the United Kingdom and Western Europe, we recognise that those trends will manifest at some level and the properties need to be adapted accordingly.

Hyprop's agreement with PDI Investment Holdings Limited ends in May 2021 with a further 12 months for implementation of revised terms. Different options in this regard are being considered in the context of the overriding need to limit the addition of further financial risk to the Group balance sheet.



SUB-SAHARAN AFRICA (EXCLUDING SOUTH AFRICA)

In line with the decision to dispose of the SSA investments, the portfolio has been reduced to a 75% interest in the Ikeja City Mall and holdings in three malls in Ghana. Subsequent to year end key terms were agreed for a sale of the Ikeja City Mall, although subject to a number of conditions.

Various steps were taken this year to improve the management of the properties and thereby to enhance their value, including a restructuring of the ownership of the Ghanaian portfolio and an internalisation of the asset management function. As with the other property

portfolios, net income was severely affected by Covid-19, and, in addition, foreign currency constraints in Nigeria meant that income from the Ikeja City Mall from December 2019 could not be remitted to shareholders.

The investment in SSA was impaired to recognise decreases in the property valuations. While we will continue to market the properties, there are a limited number of buyers, other than at very opportunistic prices, and we may need to manage the portfolio for some time before we are able to realise it.

SUSTAINABILITY

We recognise the importance of a sustainable business and of integrating sustainability into the different facets of our operations. Our commitment to being a good corporate citizen pervades our approach to business and we endeavour to act in a responsible, balanced and commercially sensitive manner.

We implemented a revised strategy in 2019 that began to bear fruit in the first part of the financial year. We recognise, however, that some of the changes to the environment as a result of the Covid-19 pandemic may be permanent, or may take a long time to reverse, and have adapted the implementation of the strategy accordingly.

As a specialist retail fund we are conscious of views regarding the imminent demise of retail malls, but believe those views are overstated, particularly in regard to the geographies in which we are invested. We recognise that tenant and shopper needs have changed and will continue to change, and we will innovate to sustain and grow the returns from our assets.

We are conscious of our impact on the environment and have been measuring and mitigating this for several years. We have made meaningful progress and our process has become increasingly sophisticated, with demanding goals and accountability for outcomes.

Transformation is a priority for South African businesses. Hyprop has made progress in this area by implementing initiatives that benefit our people, our business and the environments in which we operate.

CORPORATE GOVERNANCE

Hyprop is committed to the highest standards of corporate governance. Details of our governance structures and the extent to which we apply relevant principles of corporate governance, including King IV and regulatory requirements, are set out elsewhere in this report.

BOARD CHANGES

Early in the financial year Annabel Dallamore joined the board to add a technology perspective to deliberations; she also joined the Audit and Risk and Investment committees.

In July 2020 Spiro Noussis was appointed as an independent non-executive director. Spiro's experience in the Central and Eastern Europe and the United Kingdom property sectors will be of significant benefit to the board in managing the Company's European investments.

We welcome Annabel and Spiro, and look forward to productive relationships with them.

In September 2020 Louis Norval announced that he would be stepping down from the Board at the annual general meeting in November 2020. We thank him for the considerable contribution he made during his tenure.

Mike Lewin retired at the annual general meeting on 2 December 2019. We thank Mike for his contribution to the Group over 9 years and we wish him well in his retirement.

SHAREHOLDING

Hyprop, based on the JSE criteria for public shareholders, has a 93% free float. Foreign shareholders owned 14.8% of the Company at 30 June 2020, a decrease from 19% at 30 June 2019. Foreign participation in our equity and bond markets has declined since 2018 and is a clear indication that the economic policies being applied by government are harming investor confidence in our markets.

OUTLOOK

Covid-19 accelerated a number of trends that had been evident in the domestic environment, including an increase in the number of financially constrained shoppers, retailers operating under margin pressure, a reconsideration by retailers of the amount of space they require, and state and local government entities that have a need to raise ever increasing amounts of revenue. Online shopping has continued to grow and while it is relevant to the South African retail sector, its application is primarily to a relatively limited sector of the population.

We will continue to reposition the business to succeed in the current and likely future environments, but anticipate lower domestic returns until the economy stabilises and a meaningful level of growth returns. We are concerned about the level of debt South Africa has and the consequences for all of us if government does not halt the trajectory of that debt and take the required, bold measures needed to stimulate growth. In the absence of growth, the annual change in GDP per capita will stay negative, worsening an already difficult retail environment.

We have invested in a technology business with the objective of increasing the options available to fill space in our malls and driving "capital light" sources of income from them. We continue to work on creating mixed use precincts around certain of our malls and, where necessary, may invest in related properties.

Considerable levels of stimulus have been injected into the European economy. Although there seems to be a real risk of a second wave of infections and consequent economic restrictions, unlike South Africa, Europe has the ability to address that through further stimulus. The countries in which our shopping centres are located performed reasonably this year and with the relaxation of lockdown restrictions, turnovers and foot counts at the malls recovered, albeit to levels below those of the previous year. We anticipate constrained returns until global economies stabilise after which the properties should produce attractive earnings growth.

As a result of the current environment an exit from the SSA portfolio may take longer than originally envisaged. A substantial portion of the US Dollar debt was refinanced in Rands in 2019 and 2020, and the remaining Dollar debt will be settled from the proceeds on sale of the Ikeja City Mall. Having somewhat derisked the portfolio, we will work to optimise the balance between reinvestment to maintain and enhance property values, and extracting returns, until the portfolio is sold.

South African retail property companies have experienced a difficult period with stagnant economic growth, high levels of administered inflation and changing shopper behaviour. All of this has placed pressure on rentals, affecting the returns available from property assets, and hence their values. In the absence of meaningful levels of debt reduction, which often did not occur as property companies distributed all of their earnings, lower property values place pressure on loan to value covenants. Hyprop refinanced a large portion of its US Dollar debt into Rands a year ago and anticipates settling the balance during the next financial year, thereby addressing some of the currency risk on the Group debt.

Subject to agreement with our partner in Hystead, we intend to restrict distributions from Hystead for an initial period of two years and instead apply the funds to reducing the Hystead equity debt. We have previously announced a reduction in the distribution rate at Hyprop level, we will limit capital expenditure where practical and we will continue the drive to reduce costs. These initiatives will strengthen the balance sheet and provide a reasonable level of headroom even if there are further declines in property valuations and the Rand weakens against the Euro.

Hyprop owns an enviable portfolio of properties in South Africa and in Eastern Europe. While shopping patterns are evolving, well run and relevant malls will continue to deliver attractive returns. We are confident that Hyprop is well positioned to compete in the environment we face, to benefit from any growth that may happen and to take advantage of opportunities that arise.

APPRECIATION

On behalf of the board, I thank our executives, management and staff for their considerable efforts during a difficult year. I also thank our stakeholders for their support and my fellow board members for their guidance and counsel.



Gavin Tipper
Chairman

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Executives' report

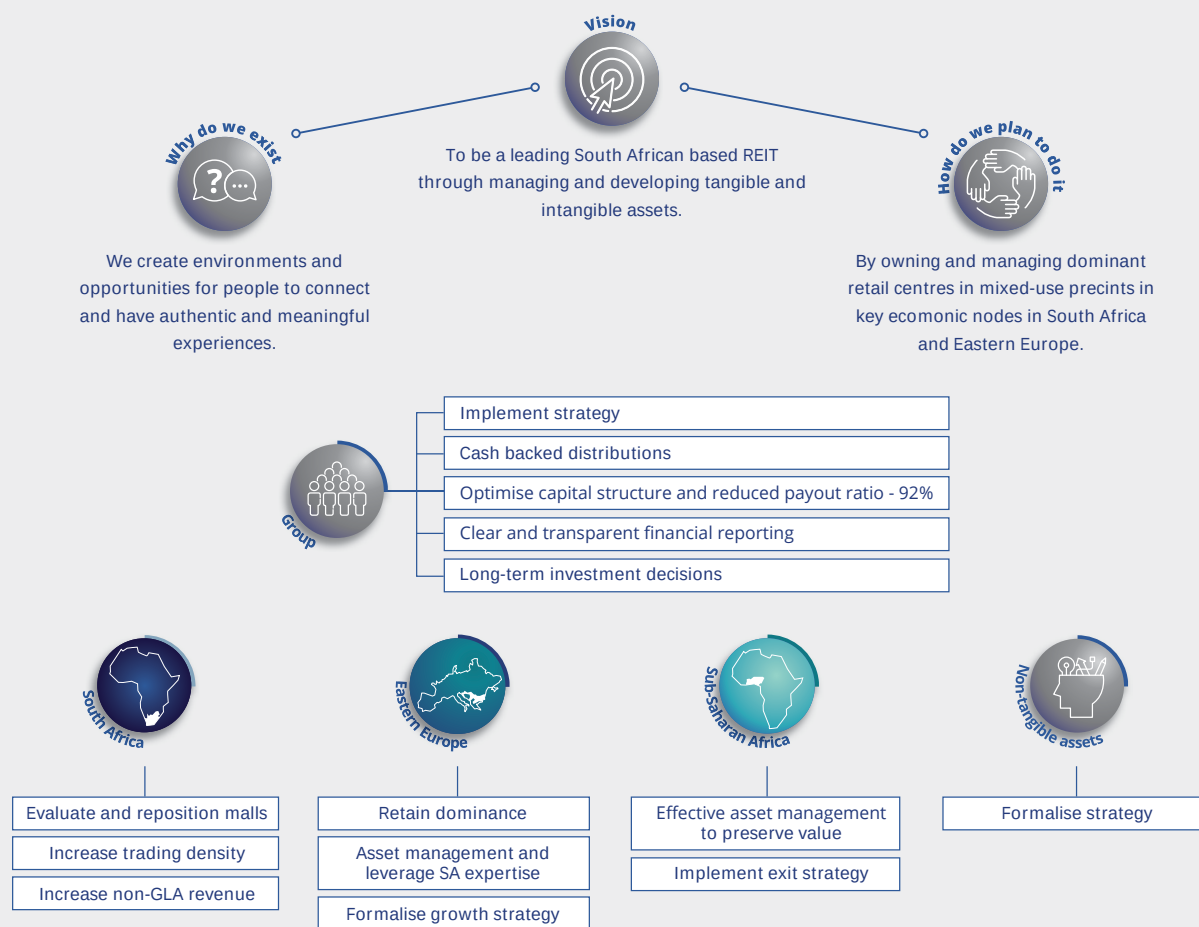
Hyprop is a retail-focused REIT listed on the JSE with interests in a R48.5 billion portfolio of shopping centres in South Africa, Eastern Europe and sub-Saharan Africa.

The Company's purpose is to create safe environments and opportunities for people to connect and have authentic and meaningful experiences. It does so by owning and managing dominant retail centres in mixed-used precincts, in key

economic nodes in South Africa and Eastern Europe, and more recently, through its new non-tangible asset strategy of investing in disruptive technologies that will benefit our business.

The revision of the Group's strategy during the 2019 financial year will allow Hyprop to adapt to the rapidly evolving retail landscape, disruptive technologies and market conditions. The priorities for the 2020 financial year are depicted below:

Vision and priorities



We were making progress towards achieving these objectives in the first nine months of the year, before the outbreak of Covid-19 and the national lockdowns in all jurisdictions where the Group operates. The strategy and strategic objectives remain in place, however, and we are committed as a team to achieving these objectives.

2020 OVERVIEW

The 2020 financial year has been the most difficult in Hyprop's 32-year history, yet there is much to be positive about.

Despite the moribund South African economy, progress was made in the first half of the financial year towards achieving the Group's strategic objectives, which include growing trading densities by repositioning the South African portfolio and introducing capital light revenue streams.

The Hystead assets are held in economies that exhibit better economic metrics than South Africa and significant progress was made in increasing the dominance of the centres in the Eastern European portfolio.

The disposal of the sub-Saharan Africa investments has progressed significantly, albeit in a difficult transacting environment.

Notwithstanding the challenges presented by Covid-19, the Group's focus remains to implement the revised strategy and good progress was made on certain key priorities.

Key terms have been agreed for the disposal of Ikeja City Mall in Nigeria and we have reduced the Group's US-Dollar-denominated debt by over \$271 million. Exposure to Edcon was reduced by 15 640m² through relettings and terms have been agreed with the new owners of the Edgars, CNA and Jet stores. Three new Checkers FreshX stores were secured as anchor tenants in the SA portfolio. Three of the six solar projects were completed in Gauteng and Canal Walk secured a 5-star Green rating. Projects aimed at increasing the dominance of our European malls continued during the lockdown periods and the reaction from shoppers since the malls re-opened has been positive. The first SOKO District, which is part of the Group's non-tangible asset strategy, is scheduled to open in the Rosebank Mall in the first quarter of 2021.

Positive progress implementing revised strategy



- Distributable income in line with guidance before Covid-19
- Successful implementation of Covid-19 provisions at all malls and re-opening as lockdowns lifted
- Covid-19 direct impact on distributable income – negative R434 million
- Retained R1.2 billion of cash distributions to repay debt
- Reduced USD denominated borrowings by \$271 million
- All banking covenants met as at 30 June 2020



- Trading density to February 2020 up 1% year on year
- Finalised repositioning strategy on each asset
- Reduced Edcon exposure by 15 640m²
- Agreed terms with buyers of CNA, Edgars and Jet over 48 369m² of GLA
- 3 new Checkers FreshX stores (The Glen, Rosebank Mall and Woodlands)
- 3 solar projects completed (Woodlands, The Glen and Atterbury Value Mart)
- 5-Star Green rating on Canal Walk
- YOY Trading density up:
 - 1.9% at The Glen
 - 4.9% at Atterbury Value Mart



- Successful opening of Hyper extension of The Mall in Sofia, Bulgaria
- Acquisition of remaining 10% in the two malls in Zagreb, Croatia
- On track with the repositioning of Skopje City Mall, North Macedonia
- Refinanced portion of in-country debt on more favorable terms



- Asset management function internalised
- Simplified shareholders' arrangements in AttAfrica
- Secured conditional deal on Ikeja, Nigeria
- Successful implementation of two disposals (Manda Hill and Achimota)



- SOKO district in development and first pilot to open in the first quarter of 2021

Effects of the Covid-19 pandemic became meaningful from March 2020 and are likely to continue for some time. The lockdowns imposed by governments severely impacted economies and businesses, and global financial markets reacted with unprecedented volatility due to the uncertainty over the financial and social impacts of the pandemic.

Hyprop established Covid-19 task teams for each of our South African, Eastern European and sub-Saharan Africa operations. These teams monitored and managed the risks and challenges presented by Covid-19, and ensured the implementation of the relevant guidelines, protocols and preventative measures recommended by the World Health Organization, local health authorities and governments. The health and safety of our staff, tenants and customers is a priority and we continue to partner with our tenants and other stakeholders to find solutions that will enable all of us to emerge from Covid-19 with our businesses intact. We commend our front-line staff who ensured that our malls remained open for those tenants that could trade throughout the lockdown periods.

The impact of Covid-19 on the South African economy, and the retail sector in particular, has been severe, with both having endured several years of poor growth prior to Covid-19. The relatively stronger Eastern European economies, where the Group's operations are located, were also not spared and, in

addition to the impact of Covid-19, the West African economies of Ghana and Nigeria were negatively impacted by the decline in the oil price.

Further details of the impact of Covid-19 on the Group are included on pages 21 to 23 of the integrated annual report.

As the stringent Covid-19 lockdowns are relaxed, we are seeing an increase in foot counts at our malls, and more activity and enquiries from potential new tenants. After months of lockdown, we are reaffirming that we are social beings who like to interact and experience life, justifying our strategy of creating safe environments and opportunities for people to connect and have authentic and meaningful experiences.

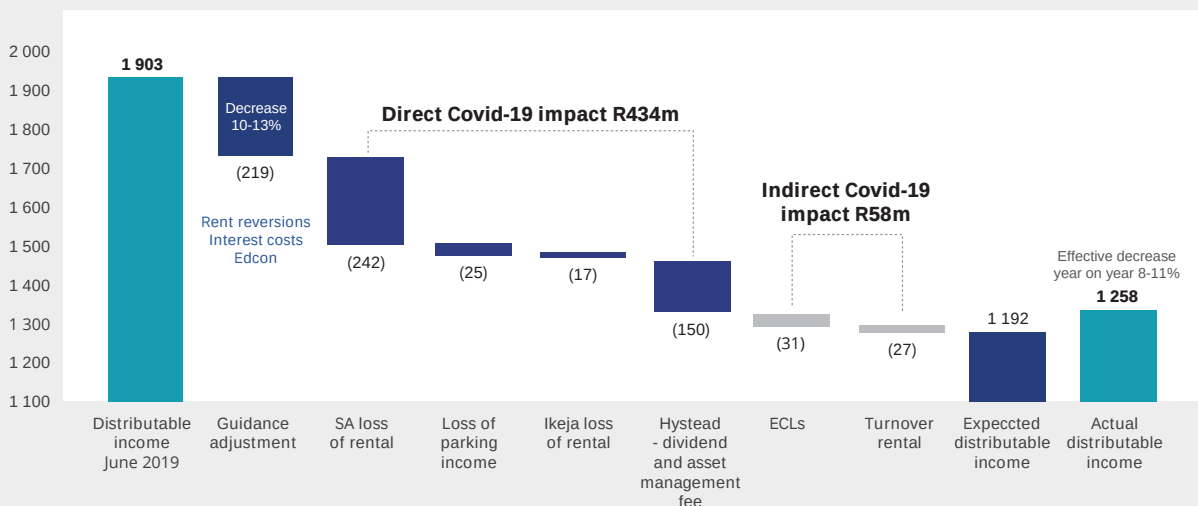
FINANCIAL RESULTS

The financial performance of our portfolios was adversely impacted by Covid-19, and the consequent lockdowns, as we assisted tenants by granting discounts on contractual rentals, and earned little or no rental income, especially in Eastern Europe, where approximately 15% of rentals are linked to tenant turnovers and/or their ability to trade. Certain tenants will require ongoing support and we will endeavour to strike the right balance between maintaining occupancy levels and accepting negative reversions.

Distributable income

	30 June 2020				30 June 2019			
	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000
Net income before fair value adjustments	1 362 612	142 956	(94 542)	1 411 026	1 627 268	266 016	(95 513)	1 797 771
Adjustments to calculate distributable income	(175 049)	-	22 064	(152 985)	67 743	-	37 154	104 897
Straight-line rental income accrual	(125 927)	-	7 641	(118 286)	81 399	-	6 488	87 887
Non-controlling interest	-	-	21 449	21 449	-	-	30 959	30 959
Taxation paid	-	-	-	-	-	-	(427)	(427)
Net interest adjustments	-	-	(4 036)	(4 036)	-	-	134	134
Other fair value adjustments - Edcon	(45 172)	-	-	(45 172)	(12 705)	-	-	(12 705)
Capital items for distribution purposes	(3 950)	-	2 049	(1 901)	(951)	-	-	(951)
Gruppo non-remittable income	-	-	(5 039)	(5 039)	-	-	-	-
Distributable income	1 187 563	142 956	(72 478)	1 258 041	1 695 011	266 016	(58 359)	1 902 668
Weighted average number of shares for calculating distributable income per share				254 985 466				255 429 272
Distributable income per share	465.9	56.0	(28.5)	493.4	663.6	104.1	(22.9)	744.9
% change	(29.8%)	(46.2%)		(33.8%)				

Impact of Covid-19 on distributable income (R'm)



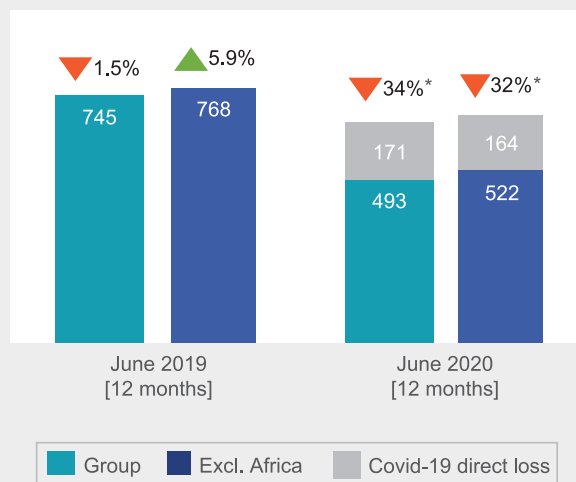
Distributable income for the year was R1 258 million, 34% down from R1 903 million for the year ended 30 June 2019. The decrease reflects:

- The direct impact of Covid-19 of R434 million, which includes discounts on contractual rentals in South Africa (R242 million) and Nigeria (R17 million), reduced parking and other income of R25 million in South Africa and no dividend and management fee income from Hystead in the second half of the financial year (anticipated R150 million)
- Rent reversions in the South African portfolio
- The full year impact of the discount granted to Edcon (R45 million) as part of its restructuring in March 2019
- The additional interest costs incurred (R130 million) as a result of refinancing US Dollar-denominated debt in Rands at the end of the 2019 financial year, and
- Covid-19 had a further indirect impact of R58 million as a result of an increase in expected credit losses on the outstanding rentals in South Africa and Nigeria, and reduced turnover rentals in South Africa.

Distributable income per share for the full year was 493.4 cents (2019: 744.9 cents), and 664 cents per share before the direct impact of Covid-19, a decrease of 11% from 2019 and in line with the guidance given for the 2020 financial year.

The board of directors has deferred the decisions on the settlement of the interim dividend and the declaration of the final dividend until later in the calendar year.

Distributable income per share (cps)



* Percentage change excluding Covid-19 direct loss

CASH-BACKED DISTRIBUTIONS

One of the Group's key priorities is that distributable income should be underpinned by strong operating cashflows.

Reconciliation of cash generated from operations to distributable income

	30 June 2020				30 June 2019			
	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000	 R'000
Cash generated from operations	1 599 372	22 326	111 741	1 733 439	1 989 011	44 826	116 095	2 149 932
Net interest	(357 028)	-	(191 367)	(548 395)	(239 190)	-	(221 965)	(461 155)
Dividends	-	120 630	-	120 630	-	221 190	-	221 190
Net operating cashflow	1 242 344	142 956	(79 626)	1 305 674	1 749 821	266 016	(105 870)	1 909 967
Distributable income	1 187 563	142 956	(72 478)	1 258 041	1 695 011	266 016	(58 359)	1 902 668
Ratio of NOC/DI	104.6%	100%		103.8%	103.2%	100%		100.4%

Despite the deteriorating economic environments, the impact of Covid-19 and increases in arrears in most portfolios, net operating cashflow (calculated as cash generated from operations, less interest paid plus dividends received) for the

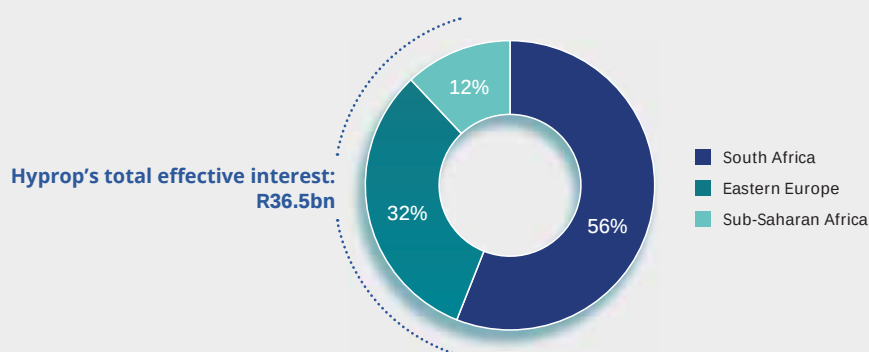
year was R1 305 million compared to distributable income of R1 258 million, reinforcing the quality and highly cash generative nature of the Group's operations and its ability to meet its ongoing operating and other financial obligations.

PROPERTY VALUATIONS

The uncertainty and volatility in financial markets as a result of Covid-19, coupled with the weak South African economy, has put property valuations under pressure. The valuation of the South African investment property portfolio decreased from R28.6 billion at 30 June 2019 to

R24.7 billion at 30 June 2020, as a result of increases in capitalisation and discount rates, and reduced forecast net property income. Similarly, the valuation of Ikeja City Mall reduced from \$141 million to \$115 million at 30 June 2020.

Investment property valuations



The Eastern European properties reflect the Hystead directors' valuations and were maintained at the 31 December 2019 external valuations, in line with the Group policy of carrying investment properties at external valuation amounts. The Rand value of these properties increased by R2.8 billion as a result of the depreciation of the Rand against the Euro over the course

of the financial year. Given the manner in which the Hystead investment is accounted for, the fair value of the properties is not reflected on the balance sheet. However, the Hystead financial asset was revalued to reflect, inter alia, the acquisition of the additional 10% of the Croatian properties and applicable exchange rate fluctuations.

Investment property

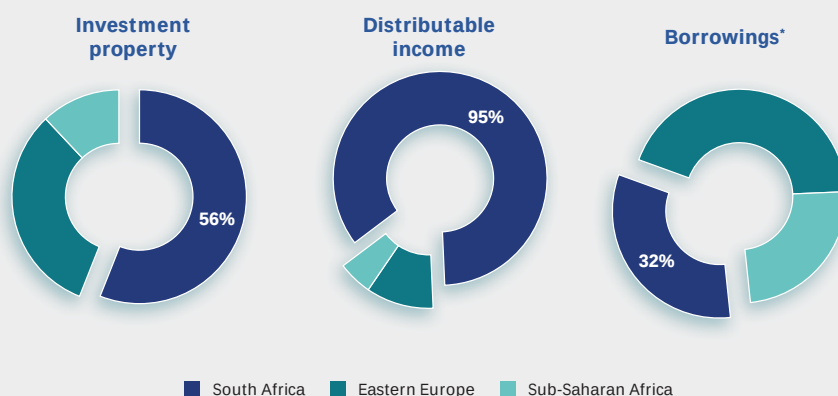
	30 June 2020	30 June 2019
 South Africa	R27.0bn (56%)	R31.3bn (61%)
Hyprop share	R24.7bn	R28.6bn
Exit cap rate range	6.8% - 9.0%	6.5% - 8.8%
Weighted average exit cap rate	7.4%	6.8%
Implied forward yield	7.6%	7.2%
 Eastern Europe	R15.7bn (32%)	R13.0bn (25%)
Hyprop share	R9.4bn	R7.4bn
Exit cap rate range	7.0% - 9.3%	7.0% - 9.3%
Weighted average exit cap rate	7.6%	7.6%
Implied forward yield	7.8%	8.0%
 Sub-Saharan Africa	R5.8bn (12%)	R7.2bn (14%)
Hyprop share	R2.4bn	R3.5bn
Exit cap rate range	7.8% - 9.0%	7.8% - 9.0%
Weighted average exit cap rate	8.4%	8.2%
Implied forward yield	7.9%	7.0%
Total portfolio	R48.5bn	R51.5bn

Notwithstanding the decrease in property valuations and the increase in the value of borrowings (specifically the Euro denominated borrowings guaranteed by Hyprop that were affected by the weaker Rand), all banking covenants were met at 30 June 2020. Steps to be taken to withhold Hystead dividends, to preserve cash on South African distributions and to apply the proceeds from asset disposals to reduce debt, will further strengthen the balance sheet.

SOUTH AFRICAN (SA) PORTFOLIO

The portfolio in South Africa includes super-regional centre Canal Walk, large regional centres Clearwater, The Glen, Woodlands, CapeGate, Somerset and Rosebank malls, regional centre Hyde Park Corner and value centre, Atterbury Value Mart. In addition, the Company has interests in office blocks attached to Canal Walk, Rosebank Mall and Hyde Park Corner, and owns standalone offices Cradock Heights and 17 Baker Street, which form part of the Rosebank precinct.

South African portfolio contribution to Group



* On balance sheet borrowings and guaranteed "equity debt"



Financial performance

	Audited Year ended 30 June 2020 R'000	Audited Year ended 30 June 2019 R'000
Revenue	2 890 219	3 003 847
Contractual revenue	3 132 644	3 003 847
Covid-19 discounts and relief	(242 425)	-
Expenses	(1 105 351)	(1 092 420)
Net property income	1 784 868	1 911 427
Other operating income	22 705	26 544
Other operating expenses	(87 933)	(71 513)
Net interest	(357 028)	(239 190)
Net operating income before fair value adjustments	1 362 612	1 627 268
Adjustments to calculate distributable income	(175 049)	67 743
Distributable income	1 187 563	1 695 011

Distributable income from the South African portfolio decreased by 30%. Revenue lost due to Covid-19 amounted to R267 million, comprising R242 million of rental discounts and deferrals granted between April and June 2020, and an estimated R25 million in lost parking, marketing and promotions income during the same quarter. Turnover rental income was also negatively impacted.

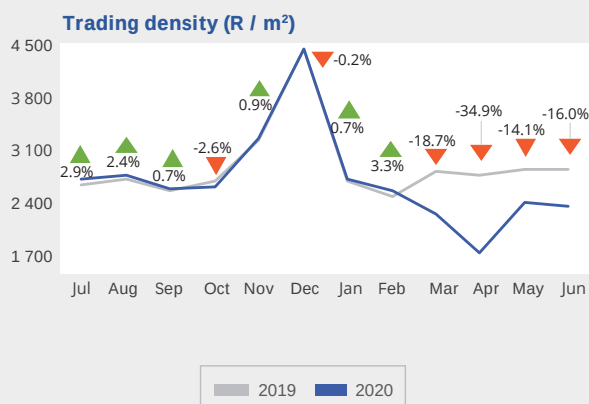
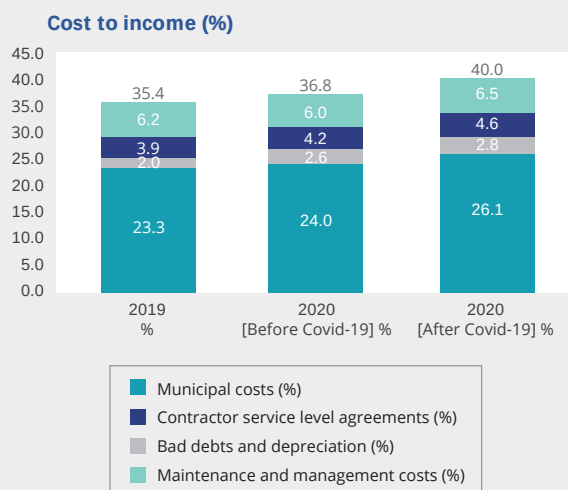
Other contributors to the decrease in distributable income included the R45 million discount granted to Edcon for the 2020 financial year as part of Edcon's restructuring in March 2019, the impact of rent reversions due to the deteriorating economic conditions prior to Covid-19, and the increase in interest costs following the refinancing of \$100 million of sub-Saharan Africa loans in June 2019 (R130 million).

Trading density for the South African retail portfolio to the end of February 2020 increased by 1% year on year, evidence of the progress made towards achieving this key strategic objective for the 2020 financial year. Unfortunately, as a result

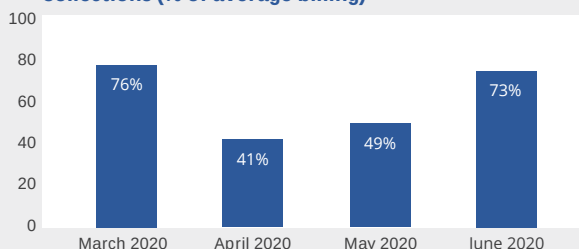
of the lockdown restrictions imposed during March, April, May and June 2020, trading conditions were poor for the majority of tenants during this period. Notably, trading densities for the 2020 financial year for The Glen and Atterbury Value Mart increased by 1.9% and 4.9% respectively, from 2019, despite the impact of Covid-19.

Property and other operating expenses increased by 1% over the prior year, partly due to reduced utility and other costs during the lockdown periods. The gross cost to income ratio increased from 35.4% to 36.8% and 40.0%, before and after the impact of Covid-19, respectively, mainly as a result of the reduction in revenue.

In light of the impact of Covid-19 and ongoing rent reversions, all costs are being reviewed, benchmarked and rebased to ensure that operations remain efficient. Executive and senior management salaries and bonuses have been frozen for the next year and the fees paid to non-executive directors will not be increased.



Collections (% of average billing)



Tenant arrears increased to R137m (2019: R32m), reflecting the difficulties tenants are facing, and the reduction in cash collections during Covid-19 lockdown periods. Reducing these arrears is a key priority for the new financial year.

Lettings and vacancies

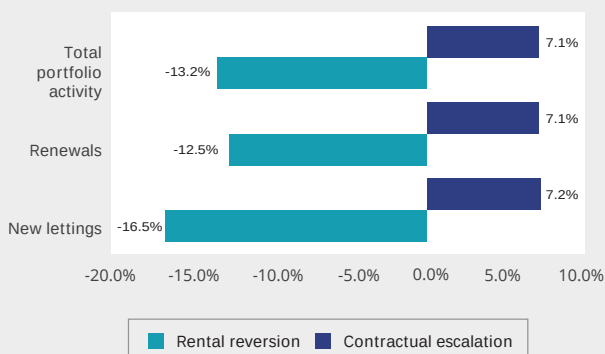
The average level of rent reversions on the retail portfolio for the eight months ended February 2020 was negative 13.1% on 119 713m² of GLA. By comparison, rent reversions during the

last quarter of the year were negative 14.5% on 20 687m² of GLA, an indication of the compounding impact that Covid-19 is having on tenants and on Hyprop's revenue. On a positive note, annual rental escalations were maintained at 7.1% and the tenant retention ratio was 91%.

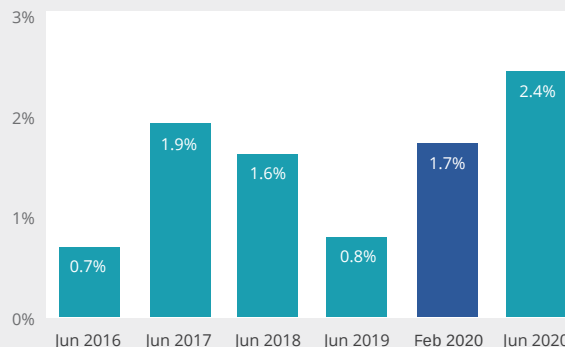
Notwithstanding the relaxation of lockdown conditions post 30 June 2020, rental rates remain under pressure as tenants look to rebuild their businesses. We will continue to assist key tenants, where appropriate, to ensure we have functional malls and acceptable occupancy levels. Projects are underway to introduce new offerings and tenants in order to differentiate our malls and satisfy community demands in a fast-changing retail and digital environment. These offerings include the introduction of storage facilities in deep store spaces and excess parking areas, and collection points for online retailers.

Retail vacancies increased from 0.8% at 30 June 2019 to 2.4% at 30 June 2020, a function of Covid-19 and tenants reassessing their business models and the amount of space they require.

Retail new lettings and renewals



Retail vacancy



	Total rentable area (m ²)		Vacant		Vacancy %	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Retail	664 609	663 197	15 648	5 103	2.4%	0.8%
Office	45 956	43 429	6 111	4 638	13.3%	10.7%
Total	710 565	706 626	21 759	9 741	3.1%	1.4%



SOUTH AFRICA *continued*

Despite the difficult economic environment, our malls remain popular among South Africa's leading retail groups and independent retailers.

A Checkers FreshX opened at The Glen in October 2019 and was a key contributor to the growth in trading density and foot count until February 2020. Construction of the new Checkers FreshX store at Rosebank Mall is progressing well and the store is anticipated to commence trading before the end of the 2020 calendar year. The Checkers board has approved a third Checkers FreshX store at Woodlands, with construction starting on 1 October 2020 and an anticipated opening in the first week of April 2021.

At 30 June 2019 the Edcon Group occupied 59 701m² in the SA portfolio. This was successfully reduced through relettings to 50 791m² by February 2020. Subsequently, the Edcon business rescue practitioner has given notice of termination of leases covering 3 972m², with the remaining 48 369m² being taken over by the buyers of the CNA, Edgars and Jet brands, albeit at reduced rentals.

We successfully concluded a portfolio deal with Massmart and agreed new 7-year leases on the Game stores, combined with upgrades to the new Game concept store, and new 10-year leases and upgrades to the latest specification for the Builders Warehouse stores at Atterbury Value Mart and Woodlands. The space vacated by the closure of Dion Wired has been relet, at Somerset Mall to Toys R Us, at Hyde Park Corner to PNA, and at Canal Walk to a new look flagship store for PEP.

The Glen welcomed a number of new tenants including Torga Optical, Daily Café Coffee Shop, Estoril Books and the Repair Desk, while the Mr Price Group renewed all their leases for a further five years.

Atterbury Value Mart continues to attract value and premium retailers with Kappa and Timberland becoming new tenants during the year.

Yokiko, a new South African stationery retailer, opened stores at Woodlands and Clearwater, and international coffee chain Starbucks opened in Clearwater. Their first store in the Western Cape will open at Canal Walk at the end of November 2020.

At Hyde Park Corner, the former Standard Bank premises are being renovated for a new restaurant concept that will open at the end of 2020. Kamers Makers, which has taken over the former Edgars Cosmetics Gallery space on a four-month trial, has traded well since opening in September 2020.

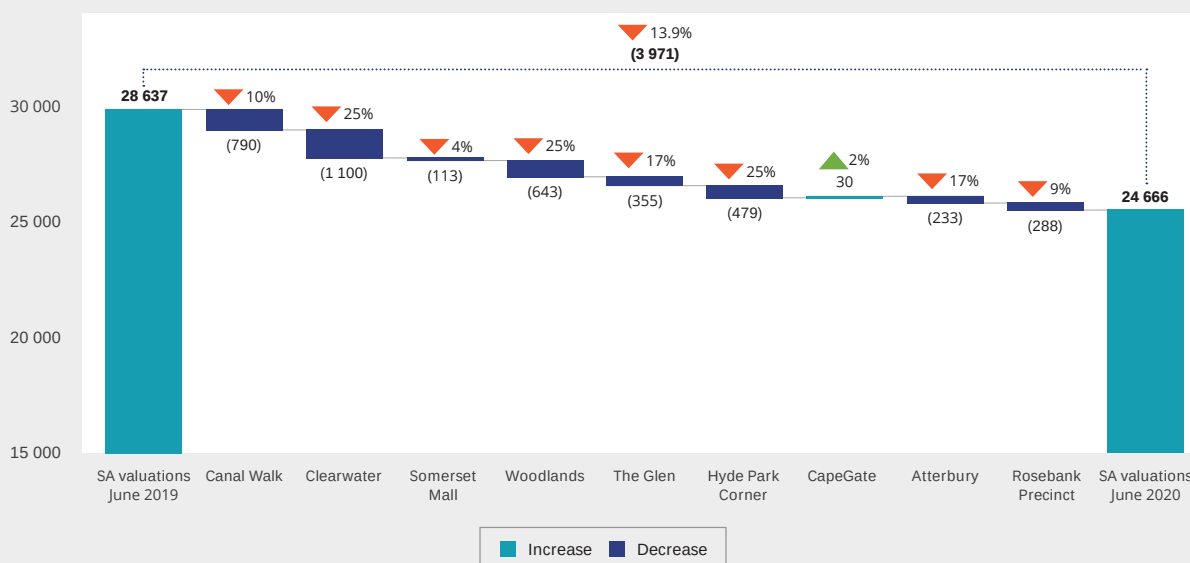
Vacancies left by the Edcon brands at Clearwater Mall were filled by Volpes, Coricraft and Incredible Connection who relocated their stores, and Hi-Fi Corporation which will open in October 2020.

CapeGate celebrated its 15-year anniversary with renewals/relets on 74 leases covering 26 700m², including upgrades to the Mr Price Home, Sport and apparel stores and a latest specification Cotton-On. The first Ackermans Woman was opened.

Property valuations

At 30 June 2020, the valuation of the South African investment property portfolio was R24.7 billion, a decrease of R4.0 billion (13.9%) from 30 June 2019.

SA valuations bridge (R'm)



Rosebank Precinct: Rosebank Mall, 17 Baker Street, The Mall offices and Cradock Heights

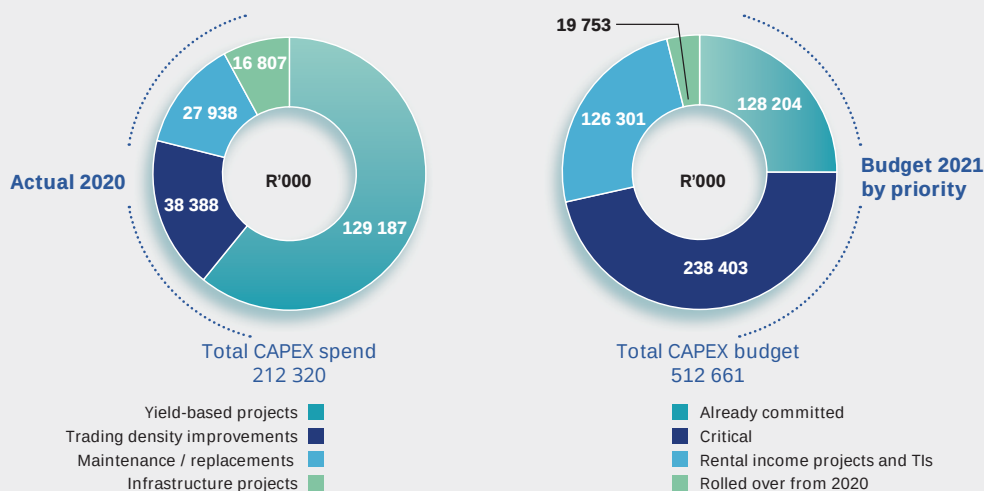
The decrease reflects, inter alia, the impact of rent reversions on net property income, and increases in the discount, capitalisation and exit capitalisation rates. The overall implied forward yield of the portfolio at 30 June 2020 was 7.6% (2019: 7.2%).

Property valuations

	Rentable area (m ²)	Value attributable to Hyprop		Value per m ²	
		30 June 2020 R'000	30 June 2019 R'000	30 June 2020 (R/m ²)	Variance % change
Shopping centres	655 078	23 307 964	27 089 718	39 093	(14.0%)
Value centres	48 631	1 178 000	1 411 000	24 223	(16.5%)
Total retail	703 709	24 485 964	28 500 718	38 065	(14.1%)
Stand-alone offices	6 856	180 000	136 000	26 254	32.4%
Total investment property	710 565	24 665 964	28 636 718	38 143	(13.9%)
Building appurtenances		(206 236)	(162 288)		
Own use asset adjustment		(12 897)	-		
Centre management assets		2 377	1 808		
Investment property - statement of financial position		24 449 208	28 476 238		
Reversionary capitalisation rate range		6.8% - 9.0%	6.5% - 8.8%		
Weighted average reversionary capitalisation rate		7.4%	6.8%		
Implied effective forward yield		7.6%	7.2%		

Capital expenditure

Total capital expenditure for the year was R212 million, including R44 million for the acquisition of 17 Baker Street, Rosebank (an 8% initial yield). The office block was the last property required for Hyprop to control the corner between Bath and Baker streets, and is adjacent to the vacant site next to the Rosebank Mall. The combined sites will improve efficiency from a development perspective, provide more flexibility in terms of the building structure, and most importantly, provide access from Baker Street.



Planned capital expenditure for 2020 was significantly curtailed in the last quarter of the year to preserve cashflow and only critical projects were advanced. Projects valued at R148 million, including the solar projects at the Gauteng malls, generator installations/replacements at various malls, major tenant installation projects and the portfolio wide wi-fi project, have been rolled into the 2021 financial year. Critical capital expenditure projects for 2021 are estimated at R238 million and include replacing the ceiling and air-conditioning at Somerset Mall, tenant fit-outs linked to new leases with major retail groups, and unavoidable replacements of lifts, escalators and generators. Without detracting from the decision that only critical projects will be undertaken, we remain mindful of the need for planned maintenance, end-of-lifecycle replacement of assets and the general upkeep of our properties to ensure they remain fully operational and relevant to tenants and consumers.

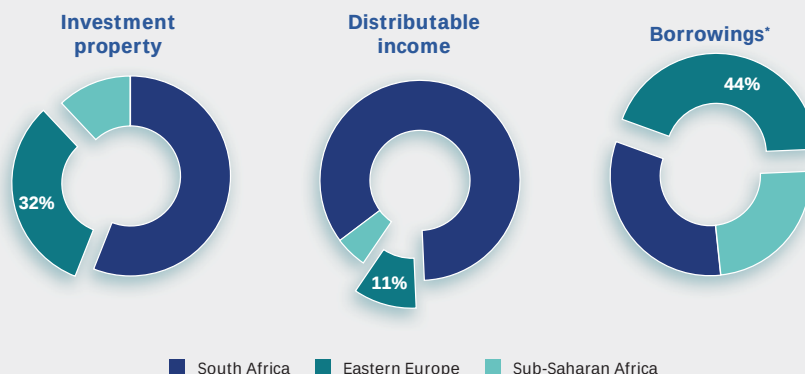


EASTERN EUROPE

INVESTMENTS IN EASTERN EUROPE (EE)

Hyprop's EE investments, held via a 60% interest in UK-based Hystead Limited (Hystead), include interests in Delta City in Belgrade, Serbia; Delta City in Podgorica, Montenegro; Skopje City Mall in Skopje, North Macedonia; The Mall in Sofia, Bulgaria; and City Center One East and City Center One West, both in Zagreb, Croatia. Hystead acquired the remaining 10% interest in the Croatian assets in December 2019.

Eastern European portfolio contribution to Group



* On balance sheet borrowings and guaranteed "equity debt"

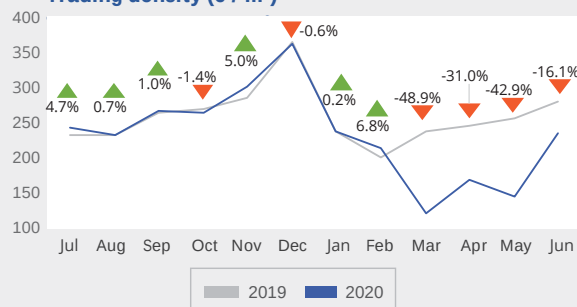
The key priority for the EE portfolio is to continue to increase the dominance of the malls through asset management initiatives, upgrading of facilities, securing new tenants, rightsizing existing tenants and extending the malls, where appropriate. Good progress was made prior to March 2020, after which the Balkan countries were placed under Covid-19 lockdown. Easing of the lockdowns commenced in March 2020 with the last of the malls reopening in mid May 2020.

The current arrangement with PDI Investment Holdings Limited (PDI), the 40% shareholder in Hystead, in terms of which Hyprop provides guarantees to Hystead in excess of its 60% interest in Hystead, ends in May 2021, with a 12 month long stop date to implement revised terms. An announcement will be made once negotiations regarding the future structure of the Company have been completed.

Should the outcome of these negotiations result in Hyprop gaining control of Hystead and having to consolidate Hystead's financial results, it may result in the Group's LTV ratio increasing above the current 50% group LTV covenant applied by the Group's major lenders. Discussions with lenders to address this have commenced, and their feedback has been supportive. Any transaction with PDI will be subject to agreement being reached with the lenders on appropriate covenants and calculations to ensure all banking covenants are met.

Financial performance

Hystead's pleasing financial performance for the first half of the year was overshadowed by the impact of the lockdowns imposed by the governments of the countries in which the malls are located. Foot counts and trading densities were negatively impacted.

Trading density (€ / m²)

As a large proportion of the portfolio's rental income is tenant turnover/trading based, despite continuing rentals from essential services tenants, income reduced by circa €11 million from March to June 2020. With the relaxation of lockdown restrictions, tenants' turnovers and foot counts at the malls have recovered, albeit to levels below those of the previous year.

No dividends were declared by Hystead during the second half of the year with cash retained to ensure that operating and borrowing commitments would be met during the Covid-19 lockdowns and the recovery period. The guarantee fee paid by PDI to Hyprop (as a result of Hyprop having guaranteed more than its pro-rata share of Hystead's equity debt) is based on the

dividends declared by Hystead and reduced accordingly. The dividend and guarantee fee income for the year was R143 million, comprising the dividends and guarantee fees to 31 December 2019. The payment of management fees to Hyprop and PDI by Hystead was suspended in the last quarter of the year.

Financial performance

	Audited Year ended 30 June 2020 R'000	Audited Year ended 30 June 2019 R'000	Year ended 30 June 2020 €'000	Year ended 30 June 2019 €'000
Dividend income	120 630	221 190	7 020	13 080
Guarantee fees	22 111	40 542	1 287	2 397
Foreign exchange gains	215	4 284	-	-
Distributable income	142 956	266 016	8 307	15 477
Average exchange rate realised	17.18	16.91		

Consideration is being given to withholding Hystead dividends until after December 2021 and using the available cash to reduce the Euro-denominated equity debt. This will have a positive impact on Hyprop's overall LTV ratio and reduce the currency exposure arising from the use of Rand assets to guarantee Euro borrowings. A decision to retain Hystead dividends will require the agreement of both Hystead shareholders, and negotiations in that regard are in progress.

The financial asset which represents Hyprop's investment in Hystead increased from R218 million at 30 June 2019 to R533 million at 30 June 2020, as a result of the acquisition

by Hystead of the additional 10% interest in the Croatian assets in December 2019, and the weakening of the Rand against the Euro.

Investment property

Hystead's investment property portfolio is independently valued at 31 December each year for purposes of Hystead's financial year end. The property valuations at 30 June 2020 reflect Hystead's directors' valuations, and based on market feedback from the independent valuers, have been retained at the 31 December 2019 valuations.

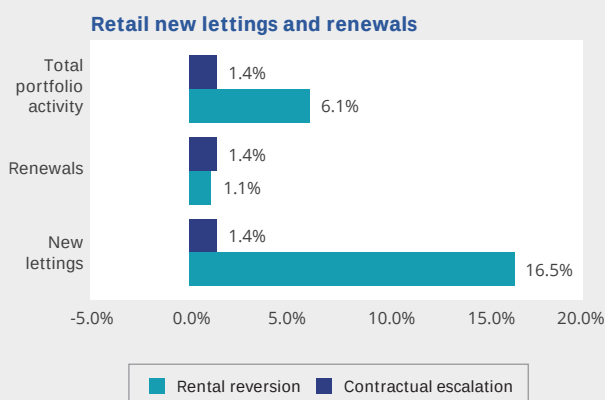
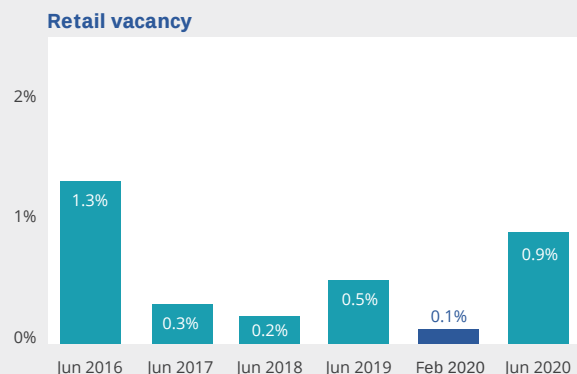
Investment property valuations

	Year ended 30 June	
	2020 '000	2019 '000
Investment property - independent value December 2019 / June 2019 (100%)	€804 000	€795 732
Hyprop attributable share ⁽¹⁾	€482 400	€458 539
Hyprop attributable share ⁽¹⁾	R9 381 378	R7 386 292
Rentable area m ²	247 002	241 326
Value per m ²	€3 255	€3 297
Cap rate range	7.0% - 9.3%	7.0% - 9.3%
Weighted average cap rate	7.6%	7.6%
Implied effective forward yield	7.8%	8.0%

⁽¹⁾ Based on Hyprop's 60% effective interest in Hystead. (June 2019: Based on Hyprop's 60% effective interest in Hystead, other than Hystead's Croatian assets in which Hyprop had a 54% effective interest due to the 10% minority shareholder in Croatia).

EASTERN EUROPE *continued***Lettings and vacancies**

The vacancy level in Hystead's malls at 30 June 2020 was 0.9%. New lettings were secured on 12 129 m² of GLA at an average rental increase of 16.5%, and leases over 21 580m² were renewed at an average rental increase of 1.1%, resulting in a weighted average overall rental increase of 6.1%. Contractual escalations were 1.4%.



City Center One West in Zagreb concluded a deal with Peek and Cloppenburg, which invested €1.5 million to convert 475m² of office and storage space to retail space, expanding the store to 3 390m². Massimo Dutti rented an additional 81m² to enlarge their store and Drogerie Markt (DM) completed a refurbishment in March 2020.

City Center One East in Zagreb relocated Sancta Domenica (a successful electronics store) to double their footprint to 475m². Varteks also doubled their footprint to 242m² and Guess opened their first store in the mall.

The following new stores were opened in Delta City Belgrade - Skechers, Yves Rocher, Waycon and Roberto Baresi. Fashion & Friends relocated to their latest concept store of 550m² in May 2020, doubling their turnover in June 2020. Cineplexx, La Coste, Jasmin and Adidas all refurbished their stores to their latest concepts.

The Mall in Sofia welcomed KIK, a leading German discount retailer and a new entry to Bulgaria. Arena Cinema partially upgraded its cinema (including state of the art recliner chairs) and refurbished the common and concession areas. Raffy Bar and Gelato, one of the top restaurant brands in the market, will open in the food court following completion of the food court refurbishment in 2020. Peek and Cloppenburg enlarged their sales area to include brands such as Joop! and Hugo Boss in a new men's section. Madame Coco, which received an award for the best expansion in Europe (Mapic 2019), will open their full concept store in September.

The two-year refurbishment of Skopje City Mall continued throughout the lockdown period. At a total cost of €6.2 million, the project included the acquisition of an adjacent portion of land (completed in December 2019) on which an outside play area will be created. Public areas, restrooms and corridors are being upgraded and the traffic flow will be improved by adding an additional escalator, creating an additional entrance on the ground floor and introducing rotating doors at the entrances. Positive feedback on the improvements was received from shoppers and tenants as the mall reopened post lockdown. Rightsizing of various tenants and the introduction of new brands is almost complete. Koton and Neptune Electronics opened their first flagship store in the centre, and international mono brands including Guess, Tommy Hilfiger, Ted Baker and Asics opened their latest design concepts for the first time in the Macedonian market. Literatura MK, an ultra-modern bookstore concept, opened on 500m² including a café and terrace. SETEC electronics opened their first Premium IT store in Macedonia. The final stages of the mall's refurbishment will be completed in 2021 and will include upgrades to the food court and interior design, and new Hugo Boss, Max & Co, Polleo and Reserved stores.

Delta City Podgorica renewed all expiring leases for a further 3 to 5 years and new stores were opened by Replay, Diamond Store and Avangardia. Paid parking and a new Skidata parking system were introduced in September 2019, with 60% of the capital cost already recovered through parking income.

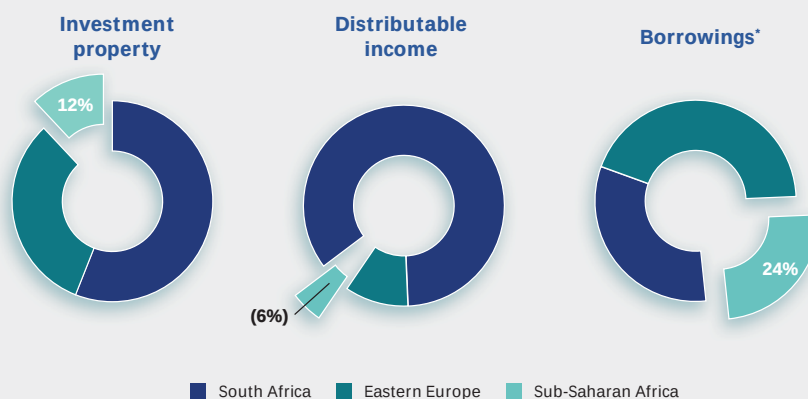


SUB-SAHARAN AFRICA

INVESTMENTS IN SUB-SAHARAN AFRICA (EXCLUDING SA) (SSA)

At 30 June 2020 the SSA portfolio included a 75% interest in Ikeja City Mall in Lagos, Nigeria, and interests in Accra Mall and West Hills Mall in Accra, Ghana, and Kumasi City Mall in Kumasi, Ghana, held via the Group's 50% interest in AttAfrica.

Sub-Saharan African portfolio contribution to Group

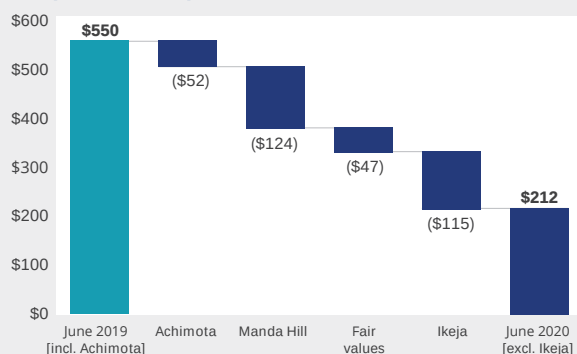


* On balance sheet borrowings and guaranteed "equity debt"

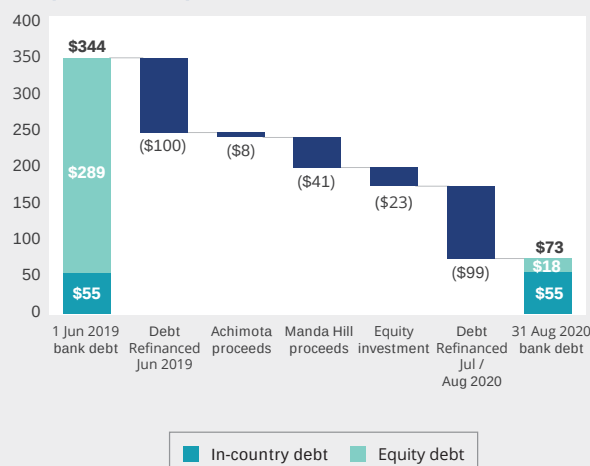
Hyprop is committed to disposing of its SSA interests in an orderly manner and the SSA interests are classified as "held-for-sale" on the statement of financial position. As a result of the part disposal of its SSA interests, the total SSA investment property exposure has reduced from \$550 million in June 2019 to \$327 million at 30 June 2020. This will reduce by a further \$115 million to \$212 million on the successful disposal of Ikeja City Mall.

The outstanding proceeds from the sale of Manda Hill, concluded in the 2019 financial year, were received during the year and used to settle US Dollar-denominated debt. In addition, \$222 million of Dollar-denominated equity debt in the sub-Saharan Africa portfolio was refinanced from South Africa between June 2019 and September 2020, reducing the total Dollar-denominated equity debt from \$344 million to \$73 million over this period.

Sub-Saharan African investment property exposure (USD' millions)



USD bank debt exposure (USD' millions)

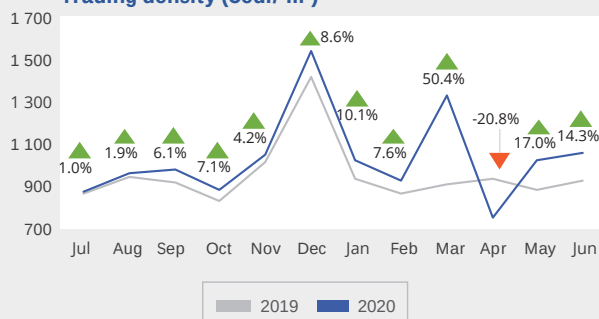


SUB-SAHARAN AFRICA *continued*

Subsequent to 30 June 2020, key terms have been agreed for the disposal of Ikeja City Mall based on a valuation of \$115 million. The purchasers have concluded their due diligence. However, the sale remains subject to regulatory approvals and the purchasers raising the necessary finance to settle 70% of the purchase price. Appropriate security will be registered for the remaining 30% of the purchase price. The outstanding balance will accrue interest at 8% per annum, payable quarterly, until settled. Net proceeds from the disposal will be applied to reduce the Group's remaining US Dollar-denominated debt of \$18 million and thereafter Rand debt. The investment in Ikeja City Mall has been valued based on the anticipated sale proceeds.

Steps have been taken to preserve and enhance the value of the SSA interests until the remaining disposals can be concluded. An agreement was reached between the AttAfrica shareholders for Attacq Limited (Attacq) and Hyprop to acquire the other AttAfrica shareholders' interests in AttAfrica, effective 1 January 2020. Hyprop and Attacq now each hold 50% of the ordinary shares in AttAfrica and have joint control of AttAfrica in terms of a new shareholder agreement. The shareholding structure and loans to AttAfrica have since been simplified and restructured in the context of the performance of the underlying AttAfrica investments. AttAfrica continues to be equity accounted by Hyprop.

The AttAfrica asset management function was internalised in AttAfrica, an Africa Exco team was established and key operational changes were made to the management of the Ghanaian portfolio. There is a strong focus on growing revenue streams, recovering outstanding debts and controlling costs. These actions should stabilise the performance of the malls.

Trading density (Cedi/ m²)

The in-country debt at Kumasi City Mall and West Hills Mall has been reduced and is in the process of being refinanced on a portfolio basis to lower the cost of borrowings.

Financial performance

	Audited Year ended 30 June	
	2020 R'000	2019 R'000
Revenue	212 123	214 001
Contractual revenue	234 812	214 001
Covid-19 discounts and relief	(22 689)	-
Expenses	(112 052)	(86 634)
Net property income	100 071	127 367
Other operating expenses	(3 246)	(915)
Net interest paid	(191 367)	(221 965)
Net operating loss before fair value adjustments	(94 542)	(95 513)
Adjustments to calculate distributable income	22 064	37 154
Distributable income	(72 478)	(58 359)

Net property income from Ikeja was impacted by a \$1.4 million decline in revenue as a result of Covid-19, and an additional \$1.6 million of expected credit losses. Year on year net operating income in US Dollars, before the effect of Covid-19, increased 9.4%. The performance in Rands benefited from the devaluation of the Rand against the Dollar over the year. Due to liquidity constraints in the Nigerian foreign exchange market, Ikeja has been unable to secure US Dollars to remit income to its shareholders since December 2019, which has been taken into account in calculating distributable income.

Interest income decreased from 2019 to 2020 as interest income from AttAfrica is only recognised to the extent it is

received in cash. \$1.7 million of interest income was received from AttAfrica prior to 31 December 2019. From 1 January 2020 Hyprop no longer has a preferential right to income from AttAfrica, with no further amounts received in the second half of the financial year. The interest expense decreased as a result of the repayment of \$171 million of borrowings between 1 June 2019 and 30 June 2020.

The Group's investment in AttAfrica was impaired by R290 million following a decrease in the valuations of the AttAfrica properties and raising of a provision for tax recoupments.



NON-TANGIBLE ASSETS

Despite the move towards online shopping, there remains significant demand by customers for authentic and meaningful shopping experiences, including tangibly experiencing products previously sold only by online retailers. Many online retailers have realised the opportunity this presents, and there is growing demand for the right exposure to the physical retail environment. SOKO District (previously Retail.next) is a digital-based platform that will enable retailers to integrate online and traditional retail strategies.

In the first major initiative under its non-tangible asset strategy, Hyprop has partnered with EmpiriQ Technologies, a technology-based business incubator, for the development of the SOKO District. EmpiriQ Technologies has founded and developed multiple successful technology enabled businesses, with INDLU being the most notable. INDLU is the world's first fully integrated digital property platform that digitally facilitates the complete residential rental property value chain (financing, developments and leasing).

SOKO means "market" in Swahili, and the SOKO District will be a marketplace where retailers can rent space and reusable shopfittings via a flexible digital leasing platform, without the significant financial commitments of the traditional retail environment. The leasing platform is powered by data-driven shopper, product and trend analyses, resulting in location recommendations that will match retailers, products and shoppers, across our portfolio.

Although SOKO will initially target online retailers seeking to promote and market their products, the platform will also be relevant to traditional retailers, particularly emerging and

smaller businesses, looking to bring their products to market in an affordable manner. The SOKO digital platform will include an online shopping portal, which will facilitate online transactions and distribution via the SOKO District, and will allow traditional retailers to select the most appropriate location from which to launch and market their products.

Development of the SOKO software platform is progressing well, with a pilot SOKO District scheduled to be operational at the Rosebank Mall in the first quarter of 2021.

NET ASSET VALUE

The Group's net asset value at 30 June 2020 was R76.09 (2019: R95.78) per share. The share price at that date was R22.39 (2019: R69.87).

BORROWINGS

The Company met all of its borrowing covenants at 30 June 2020 and we continue to work closely with our major lenders.

Reducing the loan-to-value (LTV) ratio and the Company's exposure to Euro and US Dollar-denominated borrowings, that are secured by Rand denominated assets, are high priorities. These objectives will, inter alia, be achieved through the planned withholding of Hystead dividends, reduced cash distributions by Hyprop and application of proceeds on the sale of assets (including specifically Ikeja City Mall) to debt.

Hyprop's LTV and interest cover (ICR) ratios at 30 June 2020 were as follows:

Loan to value and interest cover ratios

	Banking covenant	30 June 2020	30 June 2019
Interest cover (times)	1.8 - 2	3.0	4.1
LTV - see-through calculation ⁽¹⁾	50%	41.4%	35.2%
LTV - fully consolidated ⁽²⁾	N/A	51.7%	44.0%

⁽¹⁾ Calculated taking into account Hyprop's attributable share of the net assets of Hystead, the Hystead debt guaranteed by Hyprop and the back-to-back security Hyprop holds from PDI in relation to the guarantees. Methodology used by the majority of Hyprop's lender banks.

⁽²⁾ Calculated taking into account 100% of Hystead's assets and borrowings.



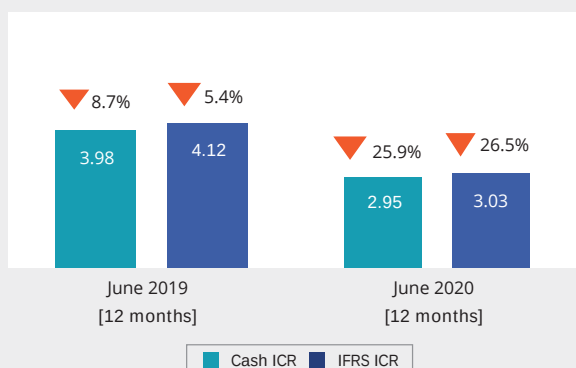
GROUP continued

LTV calculations

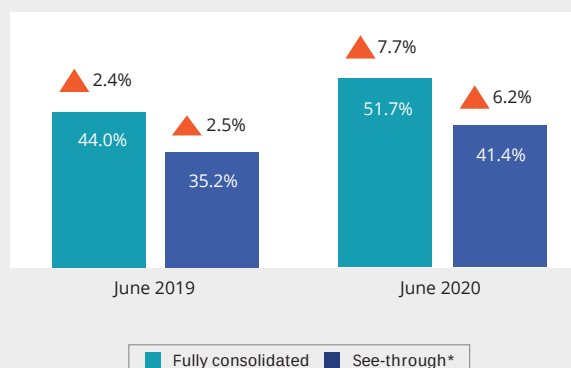
	30 June 2020 (R'000)		30 June 2019 (R'000)	
	See-through LTV	Fully consolidated LTV	See-through LTV	Fully consolidated LTV
Hyprop total assets	28 426 731	28 426 731	33 432 597	33 432 597
Hystead total assets		16 444 700		13 570 002
Hystead NAV (total assets - in-country debt) x 60%	5 341 233		4 604 241	
Total assets	33 767 964	44 871 431	38 036 838	47 002 600
Hyprop gross debt	7 850 346	7 850 346	8 385 363	8 385 363
Hystead bank debt		15 351 465		12 289 038
Hystead debt guaranteed by all shareholders (gross)	7 808 821		6 392 771	
Hystead debt guaranteed by PDI (EUR 40m)	(777 892)		(644 332)	
Security from PDI held by Hyprop (EUR 46.8m)	(910 453)		(754 133)	
Total debt	13 970 822	23 201 811	13 379 670	20 674 401
Gross debt / total assets	41.4%	51.7%	35.2%	44.0%

Details and key metrics relating to the Group's borrowings (including Hystead borrowings guaranteed by Hyprop) are set out in the accompanying graphs:

Interest cover ratio (ICR)

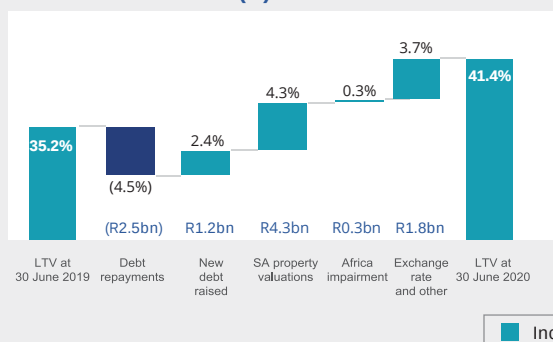


Loan to value %

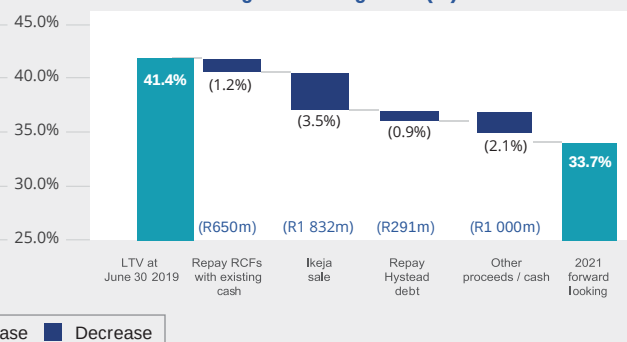


* Majority of banks use see-through methodology

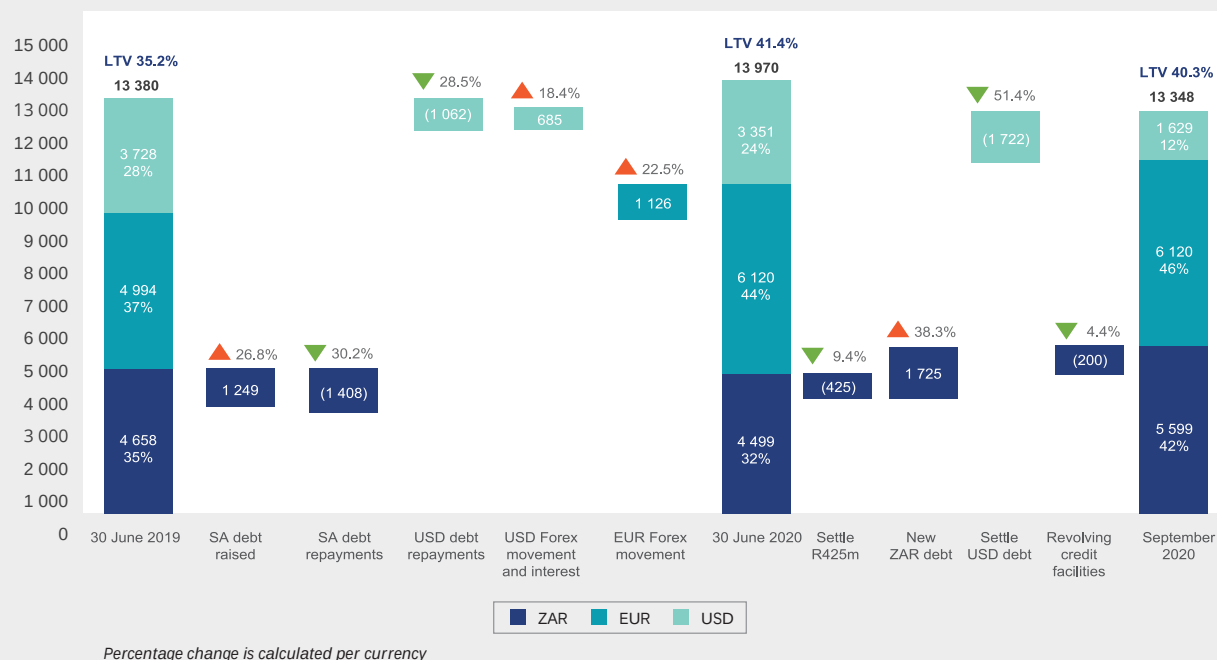
Movement in see-through LTV from June 2019 to June 2020 (%)



Forward looking see-through LTV (%)



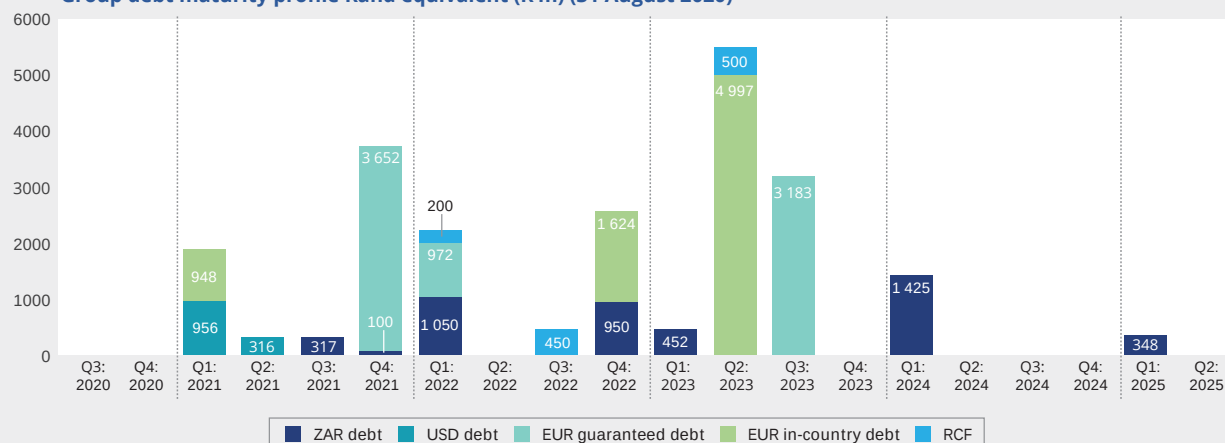
Hyprop debt exposure by currency (R'm)



Despite the net repayment of R1.2 billion of Rand and Dollar-denominated debt over the financial year, the LTV ratio was negatively impacted by the decrease in the value of investment property and the increase in the Rand value of the Euro and US Dollar-denominated loans guaranteed by the Company.

The ICR reduced from 4.1 times cover at 30 June 2019 to 3.0 times cover at 30 June 2020, due to the impact of Covid-19 on net income, an increase in the Group's interest expense following the conversion of US Dollar-denominated debt to Rand-denominated debt at the end of the 2019 financial year, and the devaluation of the Rand against the US Dollar. The benefit of the reduction in Rand interest rates in the last quarter was limited by the interest rate hedges in place.

Group debt maturity profile Rand equivalent (R'm) (31 August 2020)





GROUP continued

The Group's total debt maturity profile at 31 August 2020, after the changes in borrowings set out above, reflects no debt maturities for the remainder of the 2020 calendar year. The Dollar-denominated debt which matures in Q1 and Q2 of 2021, will be settled from the proceeds on disposal of Ikeja, or refinanced. Other Rand and Dollar debt maturing in 2021 will be settled from operating cashflows or available revolving credit facilities. €188m of equity debt matures in Q4 of 2021 and presents an opportunity to restructure the Group's overall Euro-denominated debt exposure pursuant to our intention to restructure the Hystead funding arrangements and withhold distributions from Hystead to reduce debt.

Liquidity post the year end remains positive, with available cash and revolving credit facilities of R1.5 billion in 30 September 2020.

Rand-denominated debt



	June 2020	June 2019
Property value (Rbn)	24.4bn	28.5bn
LTV	17.6%	15.6%
Weighted average cost of debt (incl. hedges)	9.0%	9.3%
Weighted average loan tenor (yrs)	2.5	2.8
Proportion of debt hedged	84.6%	101.1%
Interest cover ratio (gross)	3.0	4.1
Interest cover ratio (net)	3.4	5.2

The South African bank debt is secured against South African investment properties, while the DCM funding is mainly unsecured.

In the second quarter of the financial year, loans and bonds totaling R1.4 billion were repaid from available cash resources, and R950 million of new bonds were issued with an average maturity of 3 years and an interest rate margin of 1.5%. In June 2020 an 18-month bond of R100 million was issued at a margin of 2.05% to bolster cash resources.

At 30 June 2020 Hyprop had a total of R700 million of revolving credit facilities, of which R200 million were drawn. The proceeds were held as part of the on-balance sheet cash of R835 million.

Subsequent to 30 June 2020, Rand-denominated borrowings changed as follows:

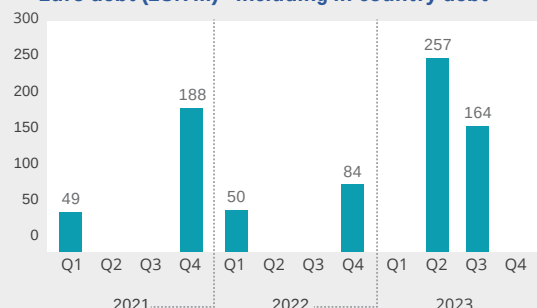
- The HILB06 bond of R425 million was settled on maturity (11 July 2020);
- A new two-year secured revolving credit facility of R450 million was raised, which increased the total revolving credit facilities to R1.15 billion;
- An 18-month secured bank term loan of R800 million was drawn. Any residual proceeds from the disposal of the sub-Saharan Africa investments will be applied to the repayment of this loan;
- A 3.5 year secured term loan of R925 million was drawn.

The net proceeds from the above loans were used to settle US Dollar debt as explained on the following page.

The average interest rate on the above new facilities is 5.7%.

Euro-denominated debt

Euro debt (EUR'm) - including in-country debt



At 30 June 2020, Hyprop had guaranteed €361 million of interest-bearing loans advanced by banks to Hystead. This debt is not consolidated in Hyprop's statement of financial position. However, the financial support results in the recognition of a financial liability by Hyprop. Hyprop's obligations under the guarantees are secured against South African investment property. In exchange for providing guarantees which exceed Hyprop's 60% shareholding in Hystead, Hyprop receives a credit enhancement fee from PDI, currently equivalent to 11% of the dividends declared by Hystead.

The devaluation of the Rand against the Euro had a significant effect on the Group's LTV ratio.

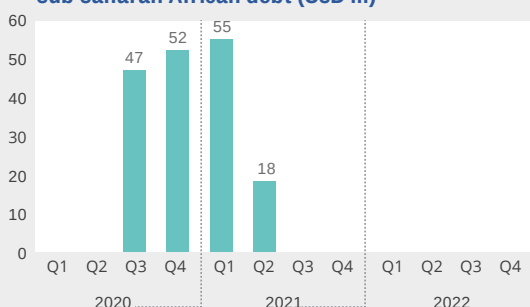
	June 2020	
	Guaranteed	Non-recourse
Property value (EUR'm)	804m	
LTV	49.9%	48.4%
Weighted average cost of debt (incl. hedges)	2.0%	2.9%
Weighted average loan tenor (years)	2.15	3.52
Proportion of debt hedged	100%	55%
Interest cover ratio (gross)	2.25	

The following steps are being taken to address the risks posed by the funding structure:

- Restructuring the current Hystead funding arrangements between Hyprop and PDI;
- Subject to an agreement between the Hystead shareholders, withholding distributions by Hystead to Hyprop for the 2020 and 2021 calendar years, and utilising the retained cash to settle Euro-denominated equity debt; and
- Refinancing a portion of the Euro-denominated equity debt with Rand-denominated debt.

US Dollar-denominated debt

Sub-Saharan African debt (USD'm)



USD-denominated debt reduced from \$244 million at 30 June 2019 to \$172 million at 30 June 2020 (both amounts include the liabilities associated with assets held for sale) following receipt of the net proceeds of \$63 million from the disposal of the interests in Manda Hill and Achimota, and a further \$26 million of capital contributed by Hyprop to Hyprop Mauritius.

Outstanding USD-denominated debt at 30 June 2020 comprises:

- \$117 million of debt guaranteed by Hyprop and secured against South African investment property;
- \$55 million of in-country asset backed finance in Gruppo Investments (the owner of Ikeja City Mall), which will be transferred on disposal of the property. Alternatively, in the

event that the Ikeja disposal does not proceed, bank credit approval has been received to refinance this debt.

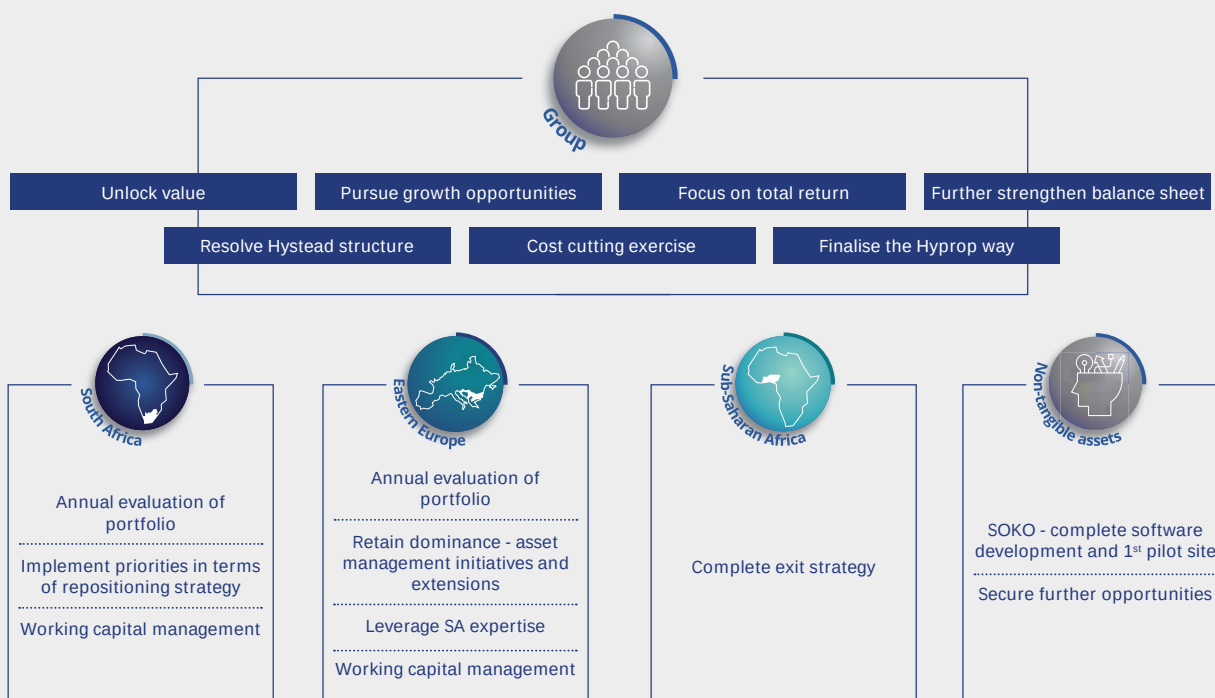
- \$99 million of this debt was settled in July and August 2020 from the above Rand-denominated loan facilities. The remaining \$18 million will be settled from the proceeds on disposal of Ikeja City Mall;

The reduction of the \$244 million US Dollar-denominated debt to \$73 million in August 2020 has significantly reduced the Company's exposure to fluctuations in exchange rates and its effect on the LTV ratio.

GROUP *continued*

OUTLOOK AND PROSPECTS

We will continue to implement our long-term strategy and pursue the key priorities of repositioning our SA portfolio, increasing the dominance of the properties in the European portfolio, and implementing the non-tangible asset strategy through projects such as SOKO District. Until trading conditions stabilise, capital expenditure will be limited to those projects that are already committed or are absolutely necessary.



Additional focus will be given to preserving cash and strengthening the balance sheet through the following:

1. Finalising and implementing the 2020 distributions. Any cash retained will be used to reduce debt;
2. Subject to Hystead shareholder approval, no dividends will be declared by Hystead and the retained funds will be utilised to repay a portion of the Euro-denominated debt. Should any revised terms be agreed relating to the future structure of Hystead, this would constitute a related party transaction and be subject to Hyprop shareholder approval;
3. Completing the sale of Ikeja City Mall and applying the net proceeds to settle the remaining \$18 million of US Dollar debt, with the balance being applied to local debt;
4. Recycling non-core assets and utilising the proceeds to settle Rand debt; and
5. Pursuing selective acquisitions / transactions in line with the revised strategy.

The Group's long-term strategies for creating sustainable returns for shareholders will continue, having regard to prevailing market conditions and industry risks. Focus will be on generating a total return for shareholders through balanced and sustainable long-term growth in distributable income and net asset value, coupled with conservative balance sheet management. Remuneration policies will align with these objectives.

While the rate of new Covid-19 infections is declining, we remain wary of the possibility of a second wave and the long term effects of the pandemic on what was already a weak local economy. We anticipate further negative rent reversions, although at a lower level than in the last two financial years, the possibility of further decreases in investment property values and increases in administered costs at rates exceeding CPI. Consumer spending is also expected to remain under pressure and consumer behaviour will continue to evolve.

Our strategy remains relevant in the uncertain environment in which we are currently operating. We will continue implementing the strategy and build on the good progress made during the first 9 months of the 2020 financial year – which includes repositioning our South African malls by securing new leases with leading retail groups and growing trading density, extending and repositioning our Eastern European malls, disposal of our sub-Saharan Africa investments, developing our non-tangible asset strategy through projects like SOKO District, and strengthening the Group's balance sheet by reducing hard currency and Rand denominated debt. We believe that our strategy will create value in the long term and that Hyprop is well positioned to navigate the uncertain times.

Having regard to the current economic conditions and the further uncertainty brought about by the continuing impact of Covid-19, the board has resolved not to provide guidance on distributable income or dividends for the financial year ending 30 June 2021.

APPRECIATION

Our thanks and appreciation go to all of the Group's staff in South Africa, Eastern Europe and sub-Saharan Africa – “the Hyperformers” - for their continuous hard work and commitment during a very challenging year. We also thank our fellow directors for their guidance, and all our stakeholders for their ongoing support.



Morné Wilken
CEO



Brett Till
CFO



Wilhelm Nauta
CIO

H

Environmental social and governance reporting



NONYAMEKO MANDINDI
Chair Social and Ethics committee

Report from the chair of the Social and Ethics committee

Hyprop is committed to corporate sustainability and actively considers its social, economic and environmental responsibilities, implements ethical practices and good governance and understands its impact on the natural environment.

We endeavour to integrate sustainability considerations into every aspect of the business environment. Initiatives cover improving recycling, reducing waste, managing assets to be more energy and water efficient and reducing carbon emissions in line with national targets.

We are cognisant of the need to preserve and develop our human capital resources and to manage our financial resources in a prudent and responsible manner.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics committee is a statutory committee of the board and assists the board in integrating Hyprop's values and ethics into the Company's growth strategy. The committee is formally appointed as provided for in the Companies Act and King IV.

The committee is chaired by Nonyameko Mandindi and its membership includes CEO Morné Wilken and CFO Brett Till. Members of the executive are invited to attend meetings, which are held twice a year. Attendance at committee meetings is set out on page 72.

A key component of Hyprop's business strategy is to be a responsible and accountable corporate citizen that contributes to the economic development of the countries in which it operates. The committee monitors the Group's social, environmental and economic development activities.

The role of the committee

The committee has an independent role with accountability to the board. It does not assume the functions of management, but rather assists the board with the oversight of social and ethical matters in respect of the Group.

RESPONSIBILITIES OF THE SOCIAL AND ETHICS COMMITTEE

The committee's responsibilities include:

- social and economic development
- good corporate citizenship
- the impact of the Company's activities on the environment
- public health and safety
- consumer relationships, and
- fair labour and employment practices.

Good corporate citizenship

Essential to the function of the Social and Ethics committee is the promotion of ethical leadership, integrity, compliance with applicable legislation, anti-corruption, sustainability, value creation, equality, preventing discrimination and contributing to the development of the communities in which Hyprop's shopping centres are situated.

Our environment

As a landlord, Hyprop has a low environmental impact, and aims to reduce this further in its operations. Details of our environmental impact and projects to reduce this are found on page 52.

The committee reviews the environmental policy biannually and reports to the board.

Our people

The committee is provided with reports from the human resources department regarding labour and employment, education and skills development. The detailed human capital report is set out on page 60.

Our communities

The Group encourages and supports the participation of its people in community upliftment initiatives.

A variety of initiatives and projects were undertaken during the year and aligned with the United Nations Sustainable Development Goals (UN SDG's). Details of our initiatives are set out on page 65.

Transformation

Broad-based black economic empowerment and employment equity are reviewed by the committee. Key elements of the Group's employment equity and BBBEE initiatives are included in the human capital report.

Stakeholder relations

The committee is involved in ensuring that communications to stakeholders are transparent and appropriate. The committee is available to shareholders at the annual general meeting.

Code of conduct

The committee monitors compliance with Hyprop's code of conduct and ethics and other relevant social, ethical and legal requirements, as well as best practice.

The Hyprop code of conduct is based on the fundamental belief that business should be conducted ethically, fairly and legally. The primary purpose of the code is to promote exemplary conduct that will allow the Company to:

- be a leading shopping centre fund that meets global standards
- create unique shopping experiences, jobs, community, sustainability, and a deep skills base
- be the partner of choice for tenants, shoppers, employees and investors alike
- provide a trustworthy, transparent and sustainable investment case; and
- ensure social and environmental sustainability.

Committee assurance

Hyprop's Social and Ethics committee is satisfied that it complied with its material legal, regulatory, and other responsibilities during the current financial year.

H



Atterbury Value Mart, Pretoria, South Africa

www.hyprop.co.za



Our environment

Hyprop creates safe environments and opportunities for people to connect and have authentic and meaningful experiences. It does so by owning and managing dominant retail centres in mixed-use precincts in key economic nodes in South Africa and Eastern Europe. Retail property ownership typically has a low environmental impact. Hyprop does, however, continually aim to reduce its impact on the environment, particularly by reducing consumption of natural resources where possible.

Management regularly reviews the execution and efficiency of our environmental monitoring systems and submits reports to the Social and Ethics committee for review.

Hyprop's environmental strategy aims to practically address the key environmental impacts of its operations, namely water and energy usage and waste. Our approach is informed by best practice, proven methods, ease of implementation, and the benefit-to-cost ratio of retrofitting green-design principles to existing buildings.

5-STAR GREENSTAR EBP V1 RATING

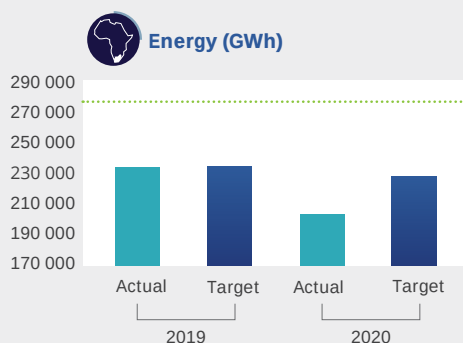
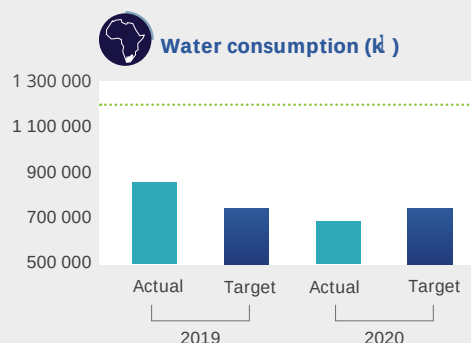
Canal Walk is the first Super Regional shopping centre in South Africa to be awarded a 5-star rating by the Green Building Council, attesting to the fact that the operations and management of Canal Walk are efficient and effective. Canal Walk achieved the 5-Star Greenstar Rating for implementing practical and measurable strategies and solutions aimed at achieving high performance in management, indoor environmental quality, energy, transport, water, land use and ecology, as well as emissions.

Some of the key elements that make Canal Walk a sustainable building are its replacement of hazardous cleaning chemicals with environmentally-friendly products and reducing waste to landfill, which includes installing a 40-ton In-Vessel Composter (IVC) to handle food waste. Canal Walk has cut its energy consumption by 34% against a 2009 baseline and its water consumption is 44% more efficient than the industry average.

CANAL WALK

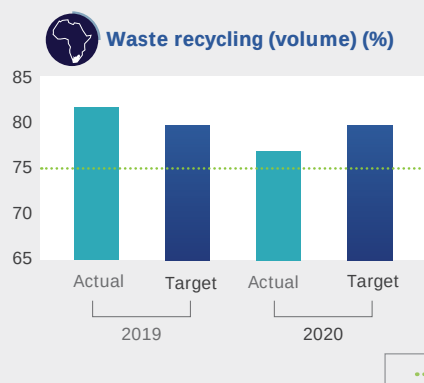
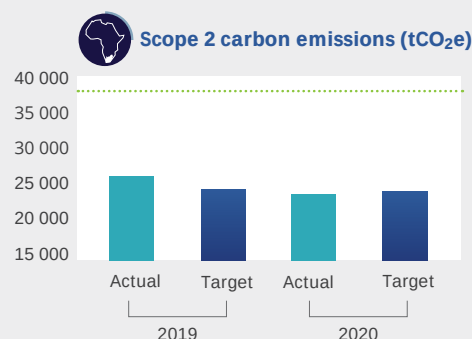


OUR GOALS





OUR ENVIRONMENT



CLIMATE CHANGE

We have assessed the risks and opportunities presented by climate change as part of our annual submission to Carbon Disclosure Project (CDP) and our Group risk management process.

RO Key direct environmental risks

Risk	Consideration
Change in temperature extremes	Higher temperatures may result in air-conditioning equipment not operating at sufficient levels in peak summer temperatures
Sea-level rise	Danger of flooding at coastal centres, notably Canal Walk and Somerset Mall
Change in rainfall patterns	Extreme rainfall can cause flooding, leaks and damage to tenants' and Hyprop's property
Drought	Successive droughts can lead to additional unbudgeted capital expenditure

South African Biodiversity Disclosure Project (BDP)

The Biodiversity Disclosure Project (BDP) is a voluntary biodiversity disclosure platform that provides companies with a practical avenue through which to report annually on their biodiversity performance. Initially targeting South African companies, the BDP will enable businesses to disclose their biodiversity performance in a standardised and comparable manner.

Hyprop will be participating in the newly launched South African BDP.

Environmental sensitivity

Canal Walk is in a biodiversity-rich area, is part of the greater Century City precinct, and is situated within Intaka Island, an award-winning 16-hectare national wetland conservation area rich in birdlife and indigenous plants.

Canal Walk adheres to the precinct's environmental management plan, does not discharge sewerage, fertilisers, herbicides or chemicals into canals that run through the precinct, and only uses biodegradable cleaning products for parking decks, walkways and walls to minimise water pollution. In addition, Hyprop contributes financially to the environmental management plan of the precinct.



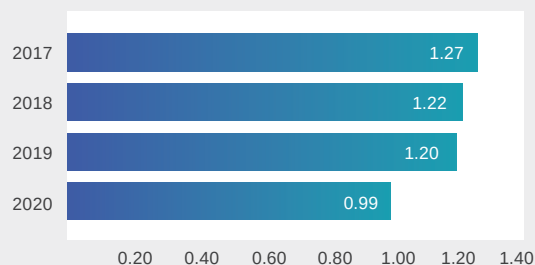
ENERGY EFFICIENCY – AN ENVIRONMENTAL AND FINANCIAL IMPERATIVE

The nature of Hyprop's business involves relationships with tenants to create authentic and meaningful experiences for shoppers. A necessary part of this is the consumption of electricity, which forms a large portion of Hyprop's annual operational spend. This makes energy efficiency a financial and environmental imperative.

The Group has implemented a range of energy efficiency initiatives to better manage costs as well as to improve our environmental performance and reach our environmental impact targets.

	2020		2019	
	Actual	Target	Actual	Target
Total electrical consumption				
Direct non-renewable energy consumption (GJ) from diesel burnt	92 084	87 170	79 430	88 050
Direct renewable energy consumption (GJ) from solar PV	12 232	15 562	13 801	15 880
Direct energy consumption (GJ) from electricity consumed but not recovered	89 870	96 988	99 859	98 968
Indirect energy sold (GJ), i.e. electricity recovered from tenants	621 866	740 762	760 191	748 245
Electricity consumption (megawatt hours or GWh)	203 940	232 982	238 700	235 336
Energy consumption (GJ) – calculated	734 185	838 740	859 321	847 213

Energy use intensity (GJ/m²)



Kilowatt hours per occupied space (GWh/m²)



Projects aimed at conserving/reducing local authority electricity consumption

Shopping centre	Project	Progress at 30 June 2020	Completion date
Atterbury Value Mart	Solar PV system on centre roof	80% complete	August 2020
Clearwater Mall	Solar PV system on parking roof	Application to NERSA	TBD
Hyde Park Corner	Solar PV system on office roof and carports	40% complete	September 2020
Rosebank Mall	Solar PV system on parking roof	25% complete	October 2020
The Glen	Solar PV system on upper level roof	80% complete	September 2020
Woodlands Boulevard	Solar PV system on centre roof	70% complete	September 2020

Solar projects

The solar projects were scheduled for completion by 30 June 2020 but were delayed due to Covid-19. Based on initial feasibility studies, the solar projects should generate approximately 6% of the centres' electricity consumption.



The Glen



Atterbury Value Mart



Woodlands Boulevard

Carbon tax

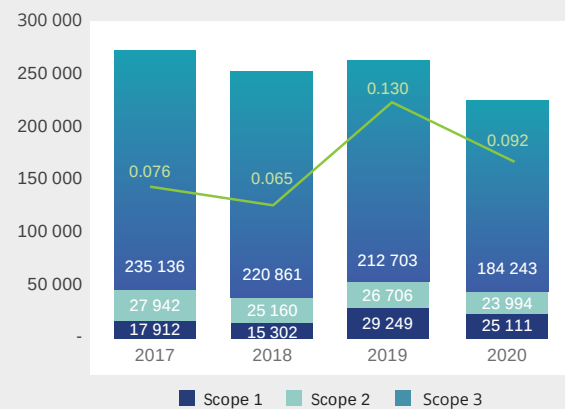
Carbon tax has been introduced and the first submissions for the period 1 June 2019 to 31 December 2019 and submissions to the Department of Environment, Forestry and Fisheries, are imminent.

Carbon emissions

Hyprop's scope 1 and 2 carbon footprint is determined using the UK Department for Environment, Food and Rural Affairs (DEFRA) emission factors and the revised reporting standard of the Greenhouse Gas Protocol, the accepted international tool for government and business leaders to understand, quantify and manage greenhouse gas (GHG) emissions.

Total carbon emissions

(tonnes of carbon dioxide equivalents (tCO₂e))



Average volume of carbon emissions (scope 1 & 2) per hour worked

⁽¹⁾ Scope 1: all direct GHG emissions from diesel and fugitive refrigerant gas leaks

⁽²⁾ Scope 2: indirect GHG emissions from consuming purchased electricity in the common area

⁽³⁾ Scope 3: indirect GHG emissions from electricity that is resold to the tenants



WATER

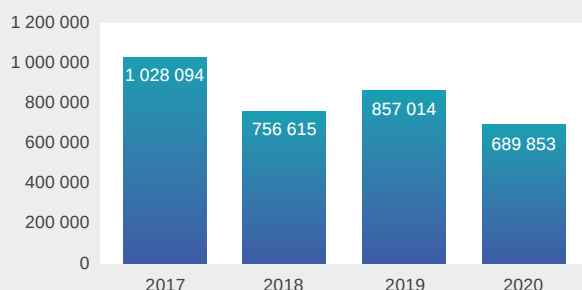
Hyprop recognises water resource management as a global challenge. We continue to investigate viable opportunities to reduce water consumption. These initiatives include installing water-efficient equipment throughout our properties and improving our measurement and monitoring standards. We work with our stakeholders, particularly our tenants and shoppers, to reduce water consumption. Water efficiency is considered when choosing technical equipment such as toilets, taps and dry condenser systems for all new developments, renovations and upgrades.

Hyprop monitors bulk water consumption at centres daily to identify unusual patterns that might indicate leaks.

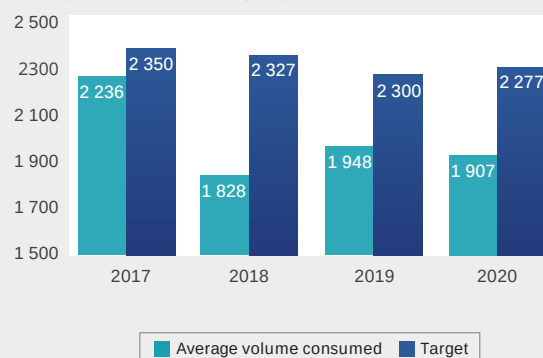
Projects aimed at conserving/reducing water consumption

Shopping centre	Project	Progress
Canal Walk	Non-potable, grey water	190kl tanks complete and commissioned. Filtration of supply and pumps to chillers and toilets is operating. All reticulation to chillers is complete. Reticulation to main toilets cores is complete. Reticulation to food court toilets is being finalised.
CapeGate	Reverse osmosis (RO) plant	The RO plant and tank were installed and commissioned by 30 June 2019. We are waiting for the City of Cape Town to issue the necessary water use licence.
	Black water treatment plant	Two proposals have been received for the installation of a black water treatment plant and are being evaluated.
Somerset Mall	Water tank installation (fire & potable)	The installation is complete and fully commissioned but can only become operational once the extraction licence is issued. The water extraction agreement has been signed by Hyprop. Signature by the City of Cape Town and issuing of the water licence is awaited.
	Boreholes and water treatment	

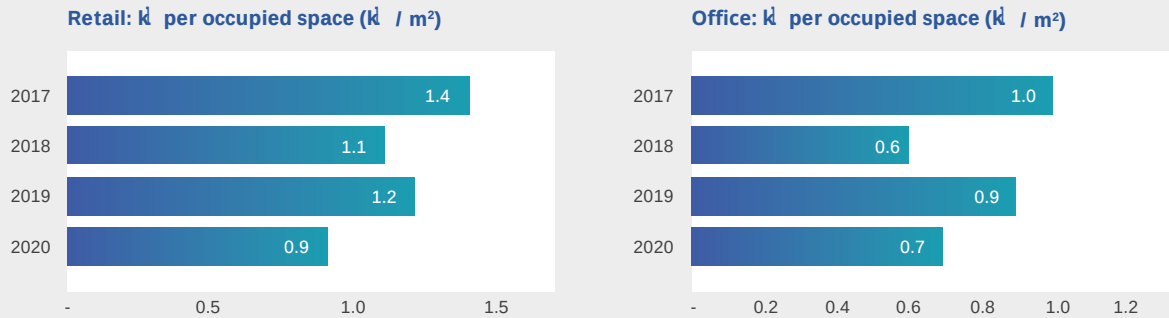
Total water consumption - kilolitres (kl)



Average water volume consumed per hour worked (l/h)



Annual kilolitres of water consumed



Water-efficiency initiatives

Initiative	Objective	Current activities	Progress
Smart metering	Improve consumption measuring and monitoring; identify leaks from unusual flow patterns	Bulk check meters have been installed at all sites except Canal Walk	Canal Walk is currently evaluating various smart metering systems
Fire-system water consumption	Identify leaks and illegal use of water	Save water and avoid abuse of infrastructure	South African and Nigerian buildings monitored
Waterless urinals	Reduce water usage	Waterless urinals were installed at the food court at Woodlands Boulevard in the current year	Waterless urinals to be installed in the planned toilet upgrades at Canal Walk in 2021
Low-volume aerators	Reduce water usage at hand wash basins	Aerators fitted at all sites	Complete
Propel-air toilets	Reduce water usage in toilets	Pilot restroom fitted with Propel-air toilets	Test complete and very successful; Expanded rollout to the centre planned for 2021 financial year



WASTE

Our approach to waste management aims to maximise recycling, minimise disposal to landfill sites and comply with legislation. Waste is collected from tenants and separated at waste yards. All centres have suitable waste-segregation facilities. On-site waste management system information is regularly reported to tenants, and Canal Walk and Clearwater Mall have public recycling stations.

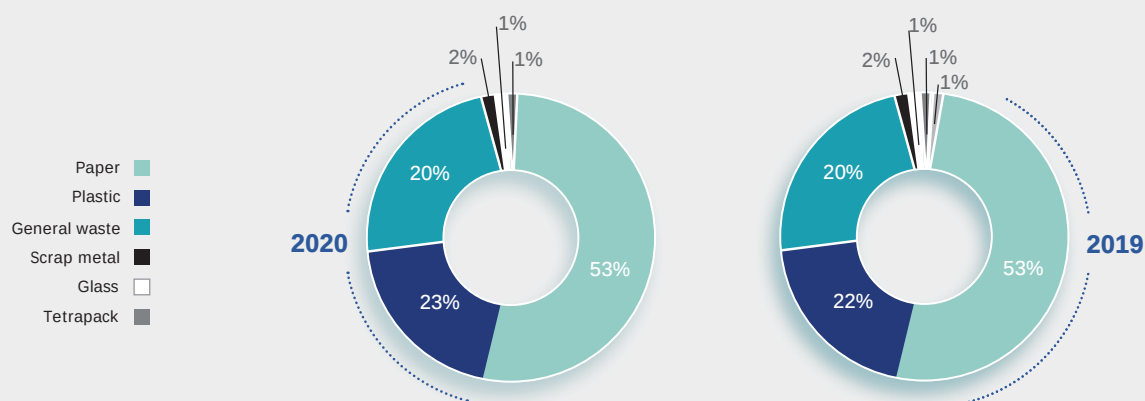
Hyprop is looking into alternatives to landfill for all waste streams, with a focus on organic waste. In the 2019 financial year, two sites - one in the Western Cape and one in Gauteng started sending their wet waste to farms where it is used as animal feed. Unfortunately, those facilities stopped operations in the 2019 calendar year. As a result, Hyprop has commenced with its own solutions on site, starting with a pilot In-Vessel Composter at Canal Walk which will produce a soil additive from waste which would otherwise be sent to landfill. This has a triple impact in that it saves on waste disposal, improves recycling, and reduces the Group's carbon footprint.

Waste generated by construction is disposed of in line with responsible management plans. For development projects, we adhere to applicable regulations and consider best practice to optimise the environmental quality of our construction sites.

In 2020, Hyprop recycled 77.2 % (by volume) of total waste, down from 81% in 2019. While lower in percentage terms, lower Group volumes reflect greater individual recycling efforts from our tenants. Furthermore, the closure of the two organic-waste solutions in 2019 lead to an increase in disposals. Nevertheless, the target of 75% has been exceeded. According to our waste service provider, current market conditions dictate that a higher recycling target would involve an increasing cost and would be less economically viable.

Audits were conducted of tenant back-of-house waste source segregation at Canal Walk and this programme will be extended to other centres. Areas of improvement during the year included improved source segregation from tenants, particularly for food waste, to prevent contamination of recyclables.

Waste categories



Waste	2020	2019	2018	2017
Total non-hazardous waste disposed (t)	3 427	3 705	2 725	3 963
Total hazardous waste disposed (t)	72	43	32	51
Total waste sent for recycling (t)	2 450	2 692	3 683	2 851
Waste sent for recycling (%)	42	42	57	41
Recycling				
Number of loads ordered	6 469	4 061	5 133	7 689
Quantity of units collected (t)	72 308	55 101	68 503	64 769
Recycled (volume) (%)	77	81	83	79
Recycled (m ³)	49 306	52 453	57 537	55 692

Fines and penalties

Hyprop was not fined for non-compliance with environmental laws and regulations during the year.



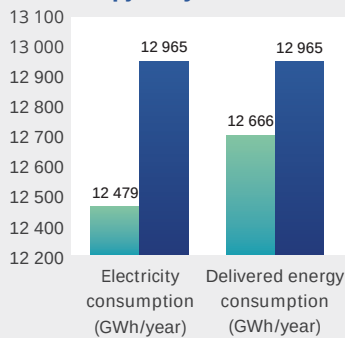
EASTERN EUROPE

EASTERN EUROPE

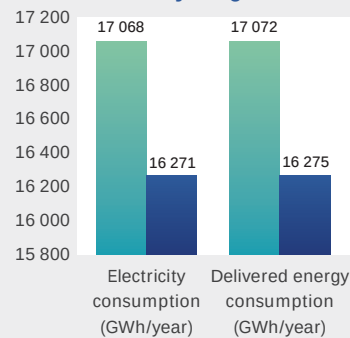
Three of the Eastern European malls underwent environmental benchmarking during the year, Skopje City Mall (North Macedonia), Delta City Belgrade (Serbia) and Delta City Podgorica (Montenegro). The environmental audits were conducted by BREEAM. Skopje City Mall and Delta City Belgrade received a rating of "Very Good", whilst Delta City Podgorica received a rating of "Good".

Energy	Heated area (m ²)	Gas consumption (m ³ /year)		Heating oil consumption (tonnes/year)		Energy indicator (GWh/m ²)	
		Dec 2016	Dec 2019	Dec 2016	Dec 2019	Dec 2016	Dec 2019
Skopje City Mall	52 000	-	-	15.84	-	243.6	249.3
Delta City Belgrade	48 717	412.1	375.4	-	-	350.4	334.1
Delta City Podgorica	30 091	-	-	45.60	50.01	284.5	275.7

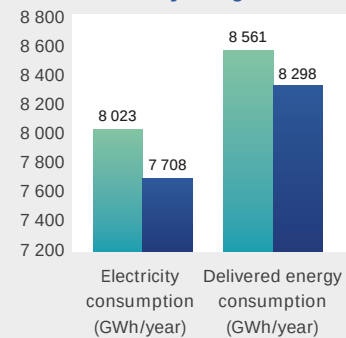
Skopje City Mall



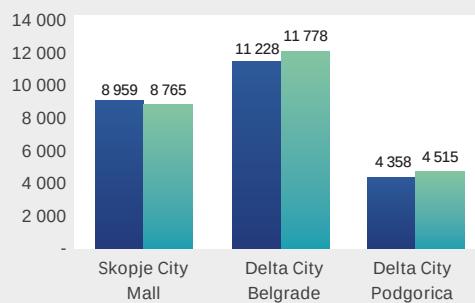
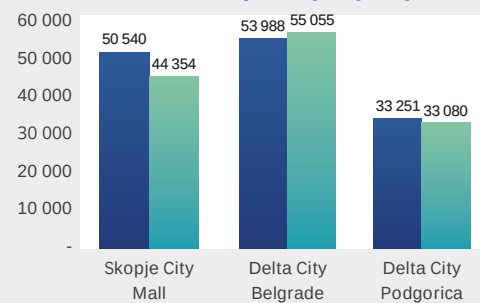
Delta City Belgrade



Delta City Podgorica



■ Dec 2016 ■ Dec 2019

CO₂ emissions (tonne/year)Water consumption (m³/year)

■ Dec 2019 ■ Dec 2016

*2016 benchmark year

H



Our people

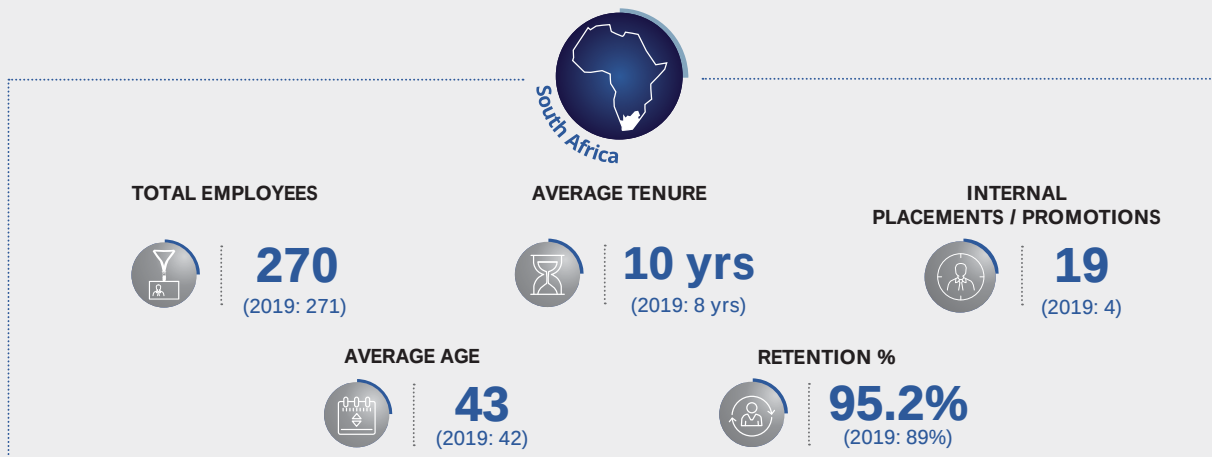
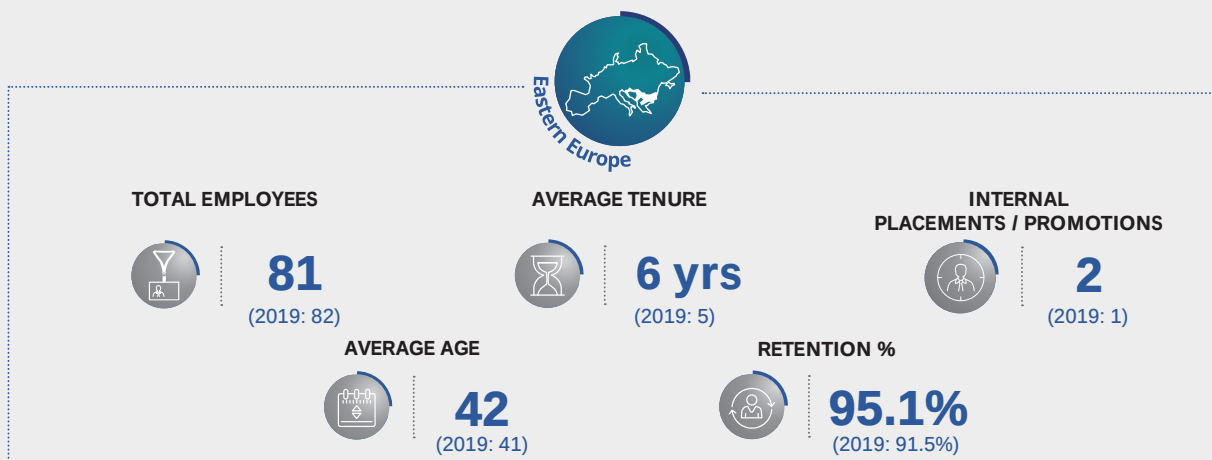
We recognise that creating safe environments and opportunities for people to connect and have authentic and meaningful experiences depends on the wellbeing, skills, knowledge, expertise, productivity, motivation and behaviour of our employees and the leadership team.

Our human resources structure is designed to address the operational needs and demands of our business. The head office is situated in Rosebank, Johannesburg, with management teams are deployed at our shopping centres in South Africa, Eastern Europe and sub-Saharan Africa, ensuring efficient management, leasing and maintenance of our assets.

The Company complies with employment laws and is committed to protecting human rights. Our code of ethics and disciplinary code are communicated to all employees.

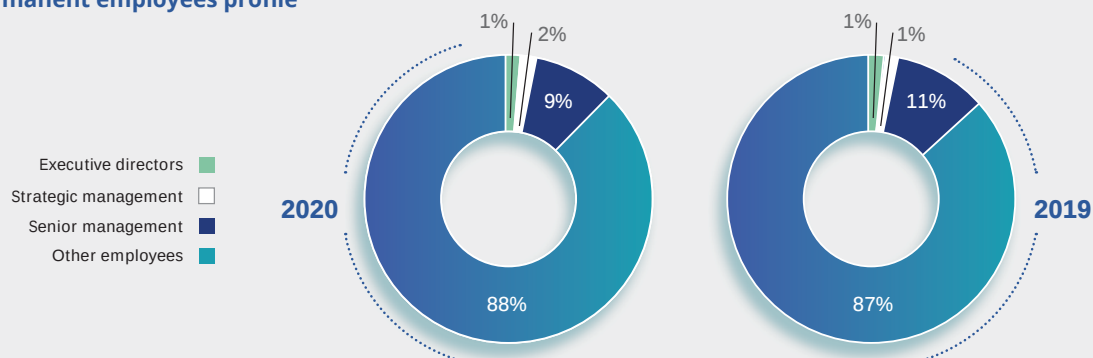
We encourage our people to live by our core values and employee code, which support a work culture that is transparent, respectful, non-exploitative, fair, dynamic, promotes open and constructive dialogue with management, involvement in decision-making, and working conditions that are safe. Hyprop believes in promoting an appropriate work-life balance.

Hyprop is committed to creating and maintaining an environment that provides equal opportunities to all employees. We aim to achieve equity in the workplace by promoting equal opportunities, fair treatment, eliminating discrimination and implementing measures to redress disadvantages in employment experienced by designated groups in order to ensure their equitable representation in the workplace.

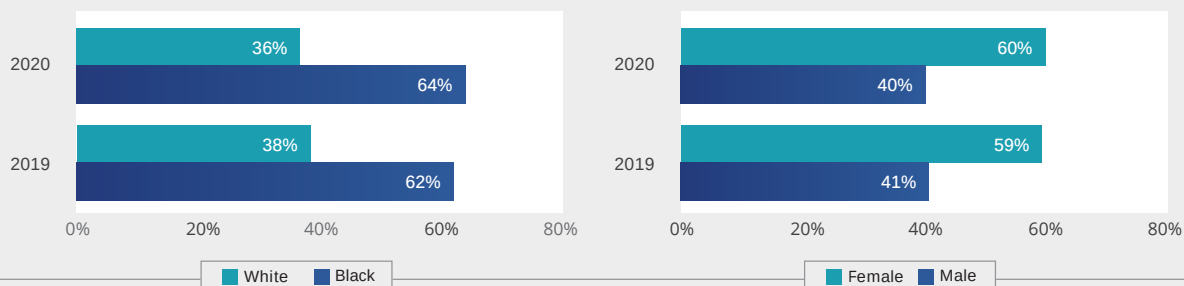




Permanent employees profile



Employee diversity



Employment equity

Total number of employees reported in terms of the Employment Equity Act

30 June 2020

Occupational levels	Male				Female				Foreign nationals		Total				
	A	C	I	W	A	C	I	W	Male	Female	A	C	I	W	Total
Top management ⁽¹⁾	1	0	0	8	1	0	0	2	0	0	2	0	0	10	12
Senior management	2	1	1	9	2	4	2	12	0	0	4	5	3	21	33
Professionally qualified and experienced specialists and mid-management	9	1	3	11	3	8	7	18	0	0	12	9	10	29	60
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	6	5	1	5	14	13	2	16	1	1	20	18	3	23	64
Semi-skilled and discretionary decision making	23	7	1	3	17	8	1	4	1	0	40	15	2	8	65
Unskilled and defined decision making	5	0	0	0	1	0	0	0	0	0	6	0	0	0	6
Total permanent employees	46	14	6	36	38	33	12	52	2	1	84	47	18	91	240
Temporary employees	0	1	0	3	15	7	0	4	0	0	15	8	0	7	30
Grand total	46	15	6	39	53	40	12	56	2	1	99	55	18	98	270

A: African; C: Coloured; I: Indian; W: White; M: Male; F: Female; B: Black (Black includes African, Coloured and Indian).

⁽¹⁾ Top management includes non-executive directors.

NON-DISCRIMINATION

Hyprop does not tolerate discrimination. Reported instances are immediately and appropriately dealt with under our code of ethics and conduct and related disciplinary procedures. No incidents of discrimination were reported during the year.

EMPLOYMENT EQUITY POLICY AND PLAN

Hyprop has recently reviewed its human capital policies to ensure that the environment in which our people operate remains relevant and continues to support the wellbeing, skills, knowledge, expertise, productivity, motivation and behaviour of our employees and the leadership team.

The Covid-19 pandemic has highlighted the need to re-examine the human capital policies during 2020 and to create an effective strategy on workplace flexibility.

EMPLOYEE ENGAGEMENT

Regular interaction with our employees is critical in creating an engaged workforce. There are several channels which enable communication from the leadership and forums through which our employees can provide feedback.

Employee forums

Human resource site meetings include employment equity forum meetings, and provide opportunities for employees to give feedback and ask questions of leadership. One site meeting per mall was held before the Covid-19 lockdowns were announced. During lockdown we used virtual technology to stay connected.

Employee self-service systems (ESS)

The employee self-service system is used to communicate all payslip, IRP5 and employee payroll information. The system integrates with the payroll and is used for performance reviews, leave applications and approvals.

Company employee newsletter

The newsletter encompasses information and input from all our management teams, highlighting achievements and Company values. It is a valuable tool for communicating events to various management teams, communicating staff wellness matters, policy updates and staff information notices, and contains information about changes, challenges and staff appointments.

Employee events

Annual year-end functions that include long service and service excellence awards are held to engage with our team members and to show our appreciation and recognise their contribution to Hyprop.

Twenty-two long service awards were awarded during the 2020 financial year and five Hyprop excellence awards were issued to teams or individuals who worked in an exceptional manner to complete an assigned task or that independently took on an improvement initiative supported by the Company.

Employee surveys

Annual surveys ensure we identify and address any issues concerning employee morale, productivity and turnover. During the year, one survey was conducted on labour practice and one on the strategy and culture of Hyprop.

Our fair practice survey indicated that 89% (target 90%) of employees currently feel the Company's benefits, processes and policies are implemented fairly and in a non-discriminatory manner. The survey covered our recruitment and disciplinary process, employee policy implementation and HIV and Aids education.

BUILDING VALUE FOR THE FUTURE

Succession planning

Succession planning forms part of the Group's risk management process, as well as being integral to the growth and development of our staff. Our primary objective is to identify key positions and ensure we have the necessary staff to cover these roles should the need arise unexpectedly; as well as to groom staff, including those from designated groups, for promotion. This is done by mentoring staff members and providing training focused on the requirements of specific positions, leadership training and development for senior management, technical and people skills training for management and junior management and structured training for support staff.

This has proved effective with 12 out of the 19 internal placements / promotions in the 2020 financial year being employees from designated groups.

Performance management meetings

The performance appraisal process is an opportunity for each manager and employee to reflect on the employee's performance over a period, review whether previously discussed performance expectations and goals have been met, discuss professional development opportunities and identify opportunities to develop additional skills and knowledge to foster performance improvement and career growth.

Additionally, the performance appraisal provides appropriate documentation to support any recommended merit increases and/or other performance-based awards.

Training and development

Our training and development programme is based on the operational requirements of the business and takes into account skills shortages in our industry and transformation imperatives.

Training needs are identified during employee reviews, while the Group's skills base is assessed to identify focus areas for training in the year ahead.

Our training strategy aims to:

- Enhance the Company's knowledge and skills base
- Enable employees to contribute to our business and growth
- Encourage further education to enhance competence in current positions and increase eligibility for promotion
- Support employment equity initiatives.

Training spend by topic (R)	June 2020	June 2019
Leadership	543 064	792 011
Strategy workshop	-	748 246
Business operations	175 210	362 659
Degree/Diploma	152 318	143 450
Green building principles	17 365	95 850
Leasing	-	14 900
Learnership	-	117 000
Trade qualification	59 000	253 600
Health and safety	139 817	17 788
HIV and Aids	22 319	56 812
Total	1 109 093	1 602 317

We continued to promote our graduate and trade qualification programme during the year, and it has become a key element in implementing our employment equity plan. Eight (2019: 22) employees are currently enrolled in various degree and trade qualifications. Green building and management principles focused on water and energy efficiency training, and national lease training was presented in all regions.



HEALTH AND SAFETY

We value our employees and our policy is to create a safe and healthy working environment, with procedures to manage occupational incidents and compensation claims, in line

with legislation.

Scott Safe provides safety consultancy services to Hyprop and carries out a health and safety audit twice a year, in May and November.

We aim to provide a high-quality health and safety programme that is continuously reviewed and improved when required. The programme complies with statutory provisions for health, safety and environmental matters relevant to all our stakeholders.

This programme is communicated to our employees so that they are properly informed of their responsibilities for health, safety and environmental matters and are able to discharge them effectively. Training and resources are provided to empower employees to prevent accidents and preserve health.

Each management team is responsible for executing the health and safety programme on-site through its operations manager. At Group level, the national facilities manager is responsible for biannual audit reports, drawing on submissions from each centre.

Health and safety consultants are appointed to construction projects to represent Hyprop and monitor activities on-site. On large and complex projects, the contractor has its own health and safety officer managing contractor teams and subcontractors.

HEALTH AND SAFETY TRAINING INITIATIVES

Initiative	HIV/Aids	First aid	Fire-fighting	Covid-19 training
Training by external suppliers		✓	✓	
Health day consultations	#			
Information distributed via newsletters/electronic	✓			✓
Employee awareness days	✓			
Voluntary testing and counselling	#			
Internal training per management office				✓

Postponed due to Covid-19 lockdowns

HIV Aids

HIV/Aids could affect the wellbeing of our employees, leading to emotional distress, absenteeism, employee turnover and lower productivity. A formal risk assessment determined that the likely impact of HIV/Aids on the Group is negligible. Accordingly, Hyprop does not have targets for addressing the direct impact of HIV/Aids, nor does it have strategies for addressing indirect business risks (e.g. effect on customer base/supply chain).

Our HIV/Aids policy provides guidelines on creating a non-discriminatory workplace, dealing with HIV testing, confidentiality and disclosure, providing equitable employee benefits, dealing with dismissals and managing grievance procedures. It ensures affected employees' rights to confidentiality. The status of employees who willingly disclose their status is kept confidential. Hyprop offers counselling, acceptance and support.

Harassment

The Company is committed to creating and maintaining a climate where all employees and stakeholders are treated with dignity and respect. Harassment in the workplace is not tolerated under any circumstances and disciplinary procedures are followed with any perpetrators. Grievances will be dealt with timely, sensitively and confidentially and no person who raises a grievance about harassment will be victimised.

No grievances relating to harassment were reported during the year.

HYPROP ETHICS LINE

The Company values its reputation and recognises that over and above any financial damage suffered, fraud may reflect adversely on our reputation.

Our aim therefore is to limit Company exposure to fraud by taking firm action against any individual or group perpetrating fraud against the Company. We encourage our employees to be vigilant and to report any suspicion of fraud, providing them with suitable confidential channels of communication and ensuring sensitive information is treated appropriately.

The Company always expects employees to act with integrity, comply with financial regulations and to report concerns as soon as any impropriety is suspected.

The Hyprop Ethics Line, our anonymous tip-off line, is operated by an external service provider, Whistle Blowers Proprietary Limited, and reports to the Audit and Risk committee. All employees are made aware of this facility and reporting is on an anonymous basis with feedback provided and action taken to remedy the matters raised.

No calls were reported during the year.

MANAGING RESOURCES

The Head of Human Resources is responsible for employee relations. An employee, disciplinary and grievance policy governs these relations and is available on request, in hard copy at each management office, and on the website at www.hyprop.co.za.

There were nine disciplinary cases during the year, primarily for misconduct, which resulted in two terminations of employment.

H



Our communities

Hyprop believes in engaging the societies we operate in and contributing to sustainable projects within the communities that surround our properties.

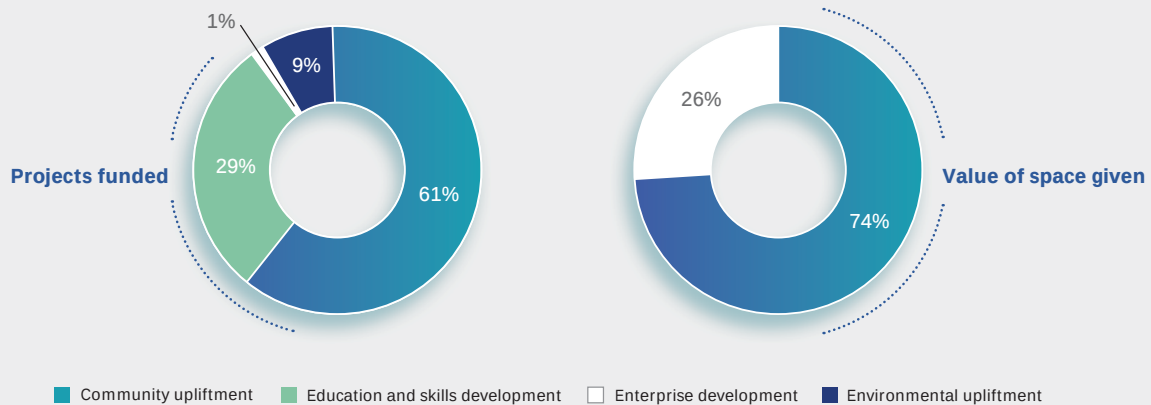
Our corporate social investment (CSI) initiatives are channelled through The Hyprop Foundation. The foundation was established in 2013 and its long-term vision is to ignite a culture of participation by our people and stakeholders through sustainable initiatives that create value by focusing on five key areas:

- education and skills development
- community upliftment
- employee wellness and participation
- environmental upliftment
- enterprise development



Due to the nationwide Covid-19 lockdown in South Africa from 27 March 2020, the foundation's planned activities were heavily curtailed. This affected the spread of planned funding for the remaining three months of the financial year.

Prior to the lockdown, our malls and their teams embraced the foundation's culture of involvement and organised many initiatives, including direct funding of projects and allocating space (at no or minimal cost) within the malls for organisations to use for fund raising or enterprise development initiatives. Details of these projects are explained below.



**HYPROP GROUP****School bursary initiative**

Hyprop continues to support education as a way to contribute towards a sustainable future for the children and relatives of our employees. We believe that investing in education yields the greatest return for our nation. Our school bursary project contributes towards the studies/tuition fees of all approved applications by Hyprop staff for school going children, from pre-school to Grade 12, subject to the project's terms and conditions. All bursary contributions are paid directly to the student's learning institution.

131 bursaries for primary and secondary school education were paid for the 2020 school year (2019: 107).

**HYPROP GROUP****Mandela Day "Christmas in July"**

The Santa Shoebox Project originated in Cape Town in 2006 with a mere 180 shoeboxes being distributed. The project donors choose a name, age and gender of a child from a list provided by the organisation. The donor is then asked to fill and wrap a shoebox which is donated to a vulnerable child over the Christmas period. Each box contains a minimum of eight items including a toothbrush, toothpaste, soap, a washcloth, sweets, a toy, school supplies and an outfit of clothing – all new, unused and age-appropriate.

During 2019, Santa's Shoebox managed to reach 95700 vulnerable children.

An initiative was held with the Santa Shoebox Project to celebrate Nelson Mandela's legacy on Mandela Day. Hyprop employees, tenants, suppliers, shoppers and other stakeholders were invited to participate in 67-minute sessions to pack 3 000 virtual shoeboxes with toiletries, toys, stationery, clothing and sweets for underprivileged children throughout South Africa and Namibia.

**HYPROP GROUP****Gift of the Givers**

The Gift of the Givers Foundation is one of the largest disaster-response, non-governmental organisations in Africa. The foundation has a passion for hunger alleviation and distributes more than 100 000 food parcels annually, prepares and serves hot meals at their own centres and donates thousands of meals every day to existing feeding schemes.

With the onset of Covid-19, Canal Walk approached the Gift of the Givers Foundation to partner on a national in-centre food drive. Food collection points were made available outside the supermarkets in all Hyprop malls for the duration of the initiative. Non-perishable food items were collected and distributed by Gift of the Givers. Hyprop matched all community food donations.

**HYPROP GROUP****South African National Blood Services**

Thousands of patients would die daily if not for the members of our communities who donate blood. When a person donates blood, they give a gift of life. A unit of blood can save up to three lives as blood is separated into red blood cells, plasma and platelets. SANBS aims to collect 3 000 units of blood per day to ensure a safe and sufficient blood supply in the health care system. Less than 1% of South Africans are active blood donors.

Space is provided at our malls to allow SANBS to set up blood donation stations and to communicate the importance and value of donating blood to our communities.

**ROSEBANK MALL****"I was shot in Joburg"**

"I was shot in Joburg" provides a platform for former street children and unemployed youth to learn skills and generate an income. To quote their website, "Awesome people take awesome pics and hand-make, awesome stuff and we get it to you in an awesome way".

Rosebank Mall continues to provide "I Was Shot in Joburg" with a platform to sell their products by providing them with retail space at no cost.

**HYPROP GROUP****Thusanani Children's Foundation**

The Thusanani Children's Foundation supports the health and development of vulnerable children living in children's homes in Gauteng. The foundation provides therapy (occupational and speech-language) and specialised paediatric medical services to orphaned and abandoned babies and children from birth to six years old. The foundation's mission is to "Reduce the effects of institutionalisation on orphaned and abandoned babies and children."

Hyprop supports Thusanani Children's Foundation by way of a monthly donation.

**HYDE PARK CORNER****Rays of Hope**

For 29 years Rays of Hope, a non-profit company (NPC) and Public Benefit Organisation (PBO), has partnered with the community of Alexandra, on the border of Sandton. The organisation focuses on orphaned and vulnerable children, education and work readiness. Their aim is to move over 2 800 people in their seven programmes from vulnerability to independence.

Funds raised from the VIP parking bays at Hyde Park Corner are donated to Rays of Hope.





SKOPJE CITY MALL

Student eco tours

Educational student eco tours have been designed for young people from schools surrounding the mall. The project is supported by three recycling companies Pakomak, Sunilens and Nula Otpad.

Pakomak is a non-profit company whose main activity is management of packaging waste. Sunilens provides wholesale, trading and distribution of refined sunflower and palm oils, bakery and confectionery margarines, specialty food ingredients and semi-finished food products. They have a system for collection, storage and treatment of used cooking oil. Nula Otpad is a non-profit organisation established in 2012 authorised to handle waste batteries and accumulators.

In conjunction with these organisations, an educational eco tour was organised aimed at educating and promoting:

- Conservation, protection, renewal and improvement of the environment
- Protection of the health of the community
- Prevention of the negative impacts of waste on the environment and health of the community
- Disposal of waste in an environmentally responsible manner



THE MALL, SOFIA

Parent education

In co-operation with media house SSB and "the Child" magazine, The Mall runs an annual educational programme for parents. This takes the form of bi-monthly lectures and demonstrations from leading specialists such as neonatologists, paediatricians, obstetricians and psychologists. The "School for parents" helps current and expecting parents prepare themselves for the most important and exciting journey ahead of them and to feel confident in their role as parents in family life.

Themes covered during the programme include:

- Adaptation of the family to the newborn
- First aid for the newborn and the infant
- Baby carrying
- Psychological features of the pregnant woman
- Life-threatening conditions for babies and where to seek emergency help



THE MALL, SOFIA

Champions for Children

The Mall provides UNICEF with space within the shopping centre to raise funds for the Champions for Children campaign and to educate the community about the initiative. Champions for Children are prominent individuals from arts, music, academics, ICT, sports, community-based

organisations or other fields who help raise awareness of children's rights.



CITY CENTER ONE WEST & CITY CENTER ONE EAST

5 Kuna for a better world

It is City Center One's tradition to include a special charity event in its annual birthday celebrations.

In 2019 funds were raised for a homeless shelter in Zagreb in an initiative named "5 Kuna for a better world". Croatian celebrities, including almost 50 singers, actors, TV hosts, influencers, and sports figures donated their time and goodwill to help raise awareness and generate funds.

Governance

The board is committed to the promotion of a culture based on ethical behaviour, good performance, effective control and legitimacy.



GAVIN TIPPER
Chairman

The board recognises the importance of the triple context in which the Company operates (economy, society and the environment) and seeks to ensure that operations are conducted in a manner that takes account of the six capitals (financial, intellectual, manufactured, human, social and relationship, and natural).

Corporate governance is approached with a view to meeting the following objectives:

- Reinforcing corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner
- Encouraging transparent and meaningful reporting to stakeholders
- Presenting corporate governance reports with reference to structure and process, as well as ethical consciousness and conduct.

The board is ultimately responsible for the ethical behaviour of the business and regularly reviews the Company's governance structures to ensure these remain relevant and effective in achieving these objectives.

KEY RESPONSIBILITIES OF THE BOARD

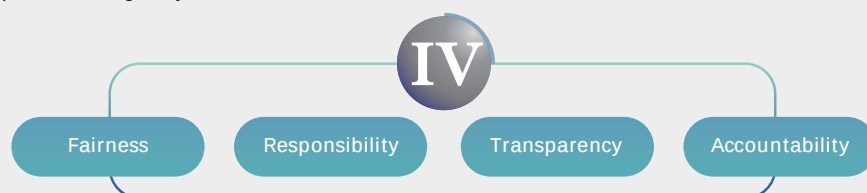
- Custodian of corporate governance for the Group
- Contributes to, and approves the Group's strategy
- Provides ethical leadership and ensures that the Group is a responsible corporate citizen and complies with applicable laws
- Ensures that its membership is appropriate to carry out its duties and that there is a balance of power among its members
- Promotes transformation, gender and race diversity and succession planning to ensure sustainable leadership structures
- Ensures that the Group has an effective system for identifying and managing risks and provides guidance and advice on the Group's financial, audit, governance and other risk management processes.

ETHICAL LEADERSHIP

In conducting the affairs of the Company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by King IV.

Hyprop is a listed REIT, and it is required to comply with the JSE Listings Requirements and rules specific to REITs in South Africa, along with country-specific legislation and standards.

The board monitors the Company's compliance with applicable legislation, regulations, codes and standards and there has been no material non-compliance during the year.



Our board

Independent non-executive directors



GAVIN TIPPER - 55
Chairman
8 years on the board
BCom, BAcc, CA(SA), MBA

AR RN IN 6/6

Chair Nomination, Investment



ANNABEL DALLAMORE - 33
1 year on the board
BSc, Mechanical Engineering

AR IN 4/4



ZULEKA JASPER - 46
2 years on the board
MCompt CA(SA)

AR 5/6



NONYAMEKO MANDINDI - 54
4 years on the board
BSc (QS), Executive Masters

SE 6/6

Chair Social and Ethics



THABO MOKGATLHA - 45
7 years on the board
CA(SA)

AR RN 6/6

Chair Audit



SPIRO NOUSSIS - 49
Joined board 27 July 2020
CA(SA)



STEWART SHAW-TAYLOR - 68
20 years on the board
CA(SA)

RN IN AR 6/6

Chair Remuneration, Risk

Non-executive directors

KEVIN ELLERINE - 54
11 years on the board
National Diploma in
Company Administration

IN 6/6



LOUIS NORVAL - 63
9 years on the board
BSc (QS)

IN 6/6

Executive directors



MORNÉ WILKEN - 49
Chief Executive Officer
1.5 years on the board
BEng (Honours)

SE IN 6/6



WILHELM NAUTA - 49
Chief Investment Officer
2 years on the board
CA(SA)

IN 6/6



BRETT TILL - 51
Chief Financial Officer
2 years on the board
CA(SA)

SE 6/6



CVs available at www.hyprop.co.za



Meetings attended / Meetings held while in office



Audit & Risk committee



Remuneration & Nomination committee



Social & Ethics committee



Investment committee

Board appointment process

The board, supported by the Remuneration and Nomination committee, is responsible for the appointment of executive and non-executive directors. Identification and selection of candidates is conducted in a formal and transparent manner. When appointing new directors, the Remuneration and Nomination committee considers the blend of skills and experience required to drive the Company's strategic and operational objectives and transformation goals.

The appointment of new directors is confirmed by shareholders at the first annual general meeting following their appointment.

Annabel Dallamore was appointed as an independent non-executive director on 30 September 2019. Annabel has experience in financial services, technology and artificial intelligence, adding a technology perspective to board deliberations.

Spiro Noussis was appointed as an independent non-executive director on 27 July 2020. Spiro's knowledge of, and experience in, the Central and Eastern European and United Kingdom property markets will be of significant benefit to the board in managing the Company's European investments.

In terms of the Company's Memorandum of Incorporation (MOI), not less than one-third of the directors retire from office at each annual general meeting. A retiring director may be re-elected should he/she be eligible, and make him/herself available, for re-election.

Compliance with the laws, rules, codes and standards

The board monitors the Company's compliance with applicable legislation, regulations, codes and standards. The board has discharged its responsibility to ensure an effective compliance framework by:

- Establishing appropriate structures, including training programmes, stakeholder communication channels and compliance measurement systems;
- Tasking compliance to the legal executive, and Head of human resources, supported by the Company's sponsor and the Company secretary;
- Highlighting and addressing areas of non-compliance, through the risk management process, supervised by the Audit and Risk committee;
- Periodically reviewing the property sector charter, particularly as regards transformation and related issues.

Hyprop has complied with the Companies Act, particularly with reference to the incorporation provisions as set out in the Companies Act and has operated in conformity with Hyprop's Memorandum of Incorporation during the year under review.

Independence

There is a clear division of responsibilities at board level to ensure that no one director has unfettered powers of decision-making.

The chairman is an independent non-executive director, appointed to the board in June 2013, and is not a former CEO. The chairman's role is separate from that of the CEO. He provides leadership and guidance to the board and encourages deliberations on all matters requiring directors' attention.

Gavin Tipper's dual role as chairman of the board and member of the Audit and Risk committee was specifically approved by shareholders at the last annual general meeting.

Independent non-executive directors serving for more than nine years are subject to an annual review process by the board to evaluate their continued independence.

Having served for more than nine years, Stewart Shaw-Taylor's independence was considered and reviewed by the board, and the board is satisfied that there are no factors that impair his independence. Stewart continues to be classified as an independent non-executive director.

Succession and diversity planning

Diversity at board level receives regular consideration. The Hyprop board recognises that diversity of skills, experience, background, knowledge, thought, culture, race and gender strengthens the board's ability to carry out its duties effectively and add value to the Group.

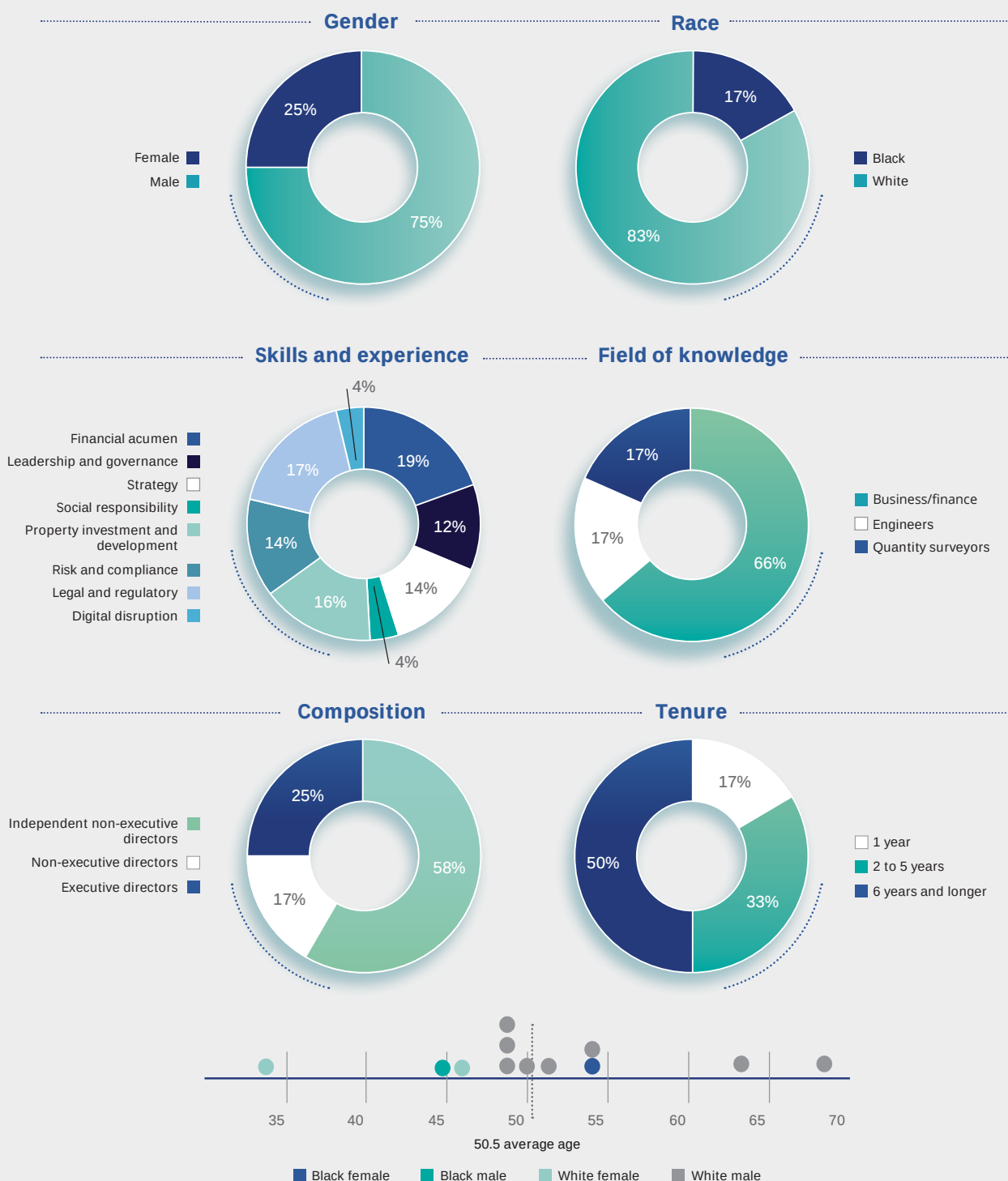
The Remuneration and Nomination committee is responsible for ensuring that adequate succession planning is in place for directors and senior management. Succession planning at executive and management level is actively monitored and succession planning is in place for the role of the CEO.

Director's code of conduct

A directors' code of conduct is contained in the board charter. This is in addition to the Company's code of conduct which applies to all directors and employees. The Social and Ethics committee monitors compliance with the codes.

BOARD DIVERSITY

During the year, the JSE amended the racial diversity policy and the gender diversity policy requirements for listed companies. Paragraph 3.84(i) of the JSE Listings Requirements now requires listed companies to have a diversity policy (at board level) "specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience."



AR

AUDIT AND RISK COMMITTEE

CHAIR : Thabo Mokgatla^{**} (Chair - Audit)
MEMBERS : Annabel Dallamore^{**}, Zuleka Jasper^{**},
 Stewart Shaw-Taylor^{**} (Chair - Risk),
 Gavin Tipper^{**}

Primary responsibilities:

- Monitor compliance with the risk policy
- Make submissions to the board on matters concerning risk management
- Oversee integrated reporting, including consideration of significant judgements and reporting decisions
- Oversee the internal and external audit processes
- Appointment of internal and external auditors
- Ensure that a combined assurance model is applied
- Review the expertise, resources and experience of the Company's finance function and the Chief Financial Officer
- During the year a considerable amount of time was dedicated to monitoring and evaluating the impact of Covid-19 on the Group



^{**} Includes weekly risk meetings during Covid-19 lockdowns

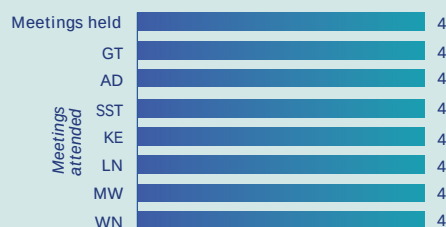
IN

INVESTMENT COMMITTEE

CHAIR : Gavin Tipper^{**}
MEMBERS : Annabel Dallamore^{**}, Kevin Ellerine^{*},
 Wilhelm Nauta, Louis Norval^{*},
 Stewart Shaw-Taylor^{**}, Morné Wilken

Primary responsibilities:

- Review the investment strategy
- Assist the board in considering investment opportunities
- Approve acquisitions, disposals and capital expenditure
- Set criteria and targets for investments
- Approve proposals for developments, acquisitions and sales of properties
- Review due diligence results
- Review market valuations and annually review performance of the property portfolio
- Report regularly and make recommendations to the board for approval



RN

REMUNERATION AND NOMINATION COMMITTEE

CHAIR : Stewart Shaw-Taylor^{**} (Chair Remuneration)
MEMBERS : Thabo Mokgatla^{**},
 Gavin Tipper^{**} (Chair Nomination)

Primary responsibilities:

- Oversee implementation of the remuneration policy and strategy
- Review remuneration structures and policies and the effectiveness of recorded performance measures
- Ensure that all benefits are justified and correctly valued
- Select an appropriate peer group when comparing remuneration levels
- Consider the performance of the CEO, CFO and CIO when determining their remuneration
- Address the remuneration of non-executive directors, executive directors and executive management



SE

SOCIAL AND ETHICS COMMITTEE

CHAIR : Nonyameko Mandindi^{**}, Mike Lewin^{*(1)}
MEMBERS : Brett Till⁽²⁾, Morné Wilken

Primary responsibilities:

- Promote ethical leadership through good corporate citizenship
- Consider processes and programmes to reduce environmental impact
- Ensure transparent communication to stakeholders
- Transformation through BBBEE and employment equity



⁽¹⁾ Resigned 2 December 2019

⁽²⁾ Appointed 14 October 2020

* Non-executive
 ^ Independent



Charters available at www.hyprop.co.za

AD : Annabel Dallamore
 KE : Kevin Ellerine
 ZJ : Zuleka Jasper
 NM : Nonyameko Mandindi

TM : Thabo Mokgatla
 WN : Wilhelm Nauta
 LN : Louis Norval
 SST : Stewart Shaw-Taylor

BT : Brett Till
 GT : Gavin Tipper
 MW : Morné Wilken
 ML : Mike Lewin



Audit & Risk committee



Remuneration & Nomination committee



Social & Ethics committee



Investment committee

Performance and self-assessment

Board effectiveness is evaluated annually through an online questionnaire completed by all directors. Results are reviewed by the chairman and any identified issues are discussed with the board and addressed as appropriate. The board and the committees were last evaluated in October 2020.

Director development

Directors have access to independent experts and other advisers for assistance in carrying out their duties if required (and after following an approved process). The board ensures that inexperienced directors are developed through mentorship programmes and continuing professional development programmes are implemented as required. Directors are encouraged to further their professional development in their personal capacity, while the board ensures that directors are regularly briefed on changes to risks, laws and the business environment.

A formal induction programme is in place for new directors. This includes a briefing by the chairman, CEO, CFO and Hyprop's JSE sponsor. New directors are introduced to key senior management at Company and shopping centre levels, and site visits to shopping centres are facilitated.

Access to information

Directors have unrestricted access to Company records, information, documents, property and the Company secretary. Non-executive directors have full access to the external and internal auditors, and to management. All directors are entitled, at Hyprop's expense, to take independent advice on any matters concerning the affairs of the Company (in terms of an approved procedure).

Conflicts of interest

In terms of the Company's code of conduct, directors must declare to the chairman and Company secretary their shareholdings in other companies, other directorships and any potential conflicts of interest.

Dealing in securities

The board monitors compliance with the Financial Markets Act and the JSE Listings Requirements applicable to trading in Hyprop's shares by directors, the Company secretary, their associates and affected employees in closed periods (as defined). The Company has put procedures in place for directors to request permission to deal in the Company's securities, however, it remains the responsibility of all board members to notify the Company of any dealings in the Company's shares. In conjunction with the CFO and the JSE Sponsor, the board ensures that trading in Hyprop securities by directors is disclosed on SENS.

In line with Company policy, directors and senior employees with access to Hyprop's financial results and other price sensitive information are prohibited from dealing in the Company's shares for specified periods before relevant announcements are released on SENS. All directors, employees and affected parties are notified before the Company enters a closed period.

At 30 June 2020 the directors had interests in 638 935 Hyprop ordinary shares. Details of these interests are set out in the directors' report.

250 000 of the shares in which Kevin Ellerine has an indirect beneficial interest are encumbered, and 174 565 shares comprise awards made to the executive directors in terms of, and subject to the rules of, the CUP (details included in the Remuneration report).

Company secretary

Hyprop's Company secretary during the year ended 30 June 2020 was Statucor Proprietary Limited. The board is satisfied that the Company secretary is sufficiently qualified and skilled to act in accordance with, and advise directors on, the recommendations of King IV, the Companies Act and other relevant legislation and regulations.

The board annually reviews the relationship between the Company secretary and itself as well as its committees. The board has determined that the Company secretary is independent of management and does not take on any management or executive duties. The Company secretary is not a director of Hyprop, nor a material shareholder in the Company or any subsidiary, and has no major contractual relationship with the Company or any director. Accordingly, the board is satisfied that the Company secretary maintained an arm's length relationship with all directors during the year under review.

The functions of the Company secretary include:

- Guiding directors, collectively and individually, on their duties, responsibilities and powers
- Providing information on legislation, regulations and relevant matters of ethics and good corporate governance
- Recording the minutes of meetings, maintaining attendance registers, resolutions and directors' declarations of personal and financial interests, and records of all notices and circulars issued by the Company
- Preparing the notice of the annual general meeting
- Filing annual and other statutory returns with the Companies and Intellectual Property Commission (CIPC) in terms of the Companies Act.

Liability insurance

Directors' and officers' liability insurance is provided by the Company.

Access to the board

Shareholders can provide recommendations to the board at the annual general meeting, at one-on-one meetings and investor presentations, and through investor polls.

Anticompetitive behaviour

Hyprop has not been party to anticompetitive behaviour or monopoly practices during the year under review.

INFORMATION AND TECHNOLOGY GOVERNANCE

The information and technology (IT) governance policy is guided by the governance principles of King IV and complies with applicable legislation.



The full policy is available on the website at
www.hyprop.co.za

The board, through the Audit and Risk committee, is responsible for information technology governance and for considering technology risks. Executive management is tasked with managing IT risks, with oversight from the Audit and Risk committee.

The board is mindful of the importance of safeguarding Company information and intellectual capital and ensures that appropriate technology is maintained to protect information. A governance framework supports effective management of IT resources. The board reviews opportunities for improvements that technology can add and is conscious of risks that may affect classified information and intellectual capital.

The objectives of IT governance are:

- Responsible use of resources
- Appropriate management of IT-related risks
- Alignment of IT processes and resources
- Exploring new IT methods and technology
- Managing IT infrastructure
- Responsible incident responses.

IT governance ensures that IT goals are met and IT risks are mitigated. Hyprop has established baseline principles for IT governance, being:

- Business alignment and enablement
- Operations performance
- Responsible and adequate procurement
- Supplier performance management
- Business continuity/disaster recovery
- Security
- Compliance
- Responsible use of IT resources
- Responsible incident responses
- Protection of personal information

There is continual evaluation to ensure that the Group remains abreast of technology developments, risks and opportunities.

H

Remuneration report



STEWART SHAW-TAYLOR
Chairman Remuneration committee

INTRODUCTION AND APPRECIATION

At the outset I would like to thank my colleagues on the Remuneration committee (Remco) and the board for their support in delivering on our mandate.

On behalf of the Remuneration and Nomination committee I extend our thanks to Karin Eichhorn (outgoing human resources executive who worked for Hyprop for twenty years) and her team for their hard work over the year, as well as to those shareholders who continue to provide constructive feedback on our remuneration activities. We also extend our thanks and appreciation to all of the Group's employees for their hard work and dedication, particularly during the Covid-19 lockdown periods. You have once again demonstrated why you are called "Hyperformers".

Igsaan Hendricks was appointed as the new head of human resources on 1 September 2020. We welcome Igsaan and look forward to the contribution he will make to the Group.

This report is presented in three sections:

A

REPORT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The background and focus areas of the Remco that influenced the remuneration policy and remuneration outcomes in respect of the financial year.

B

REMUNERATION PHILOSOPHY AND POLICY

Our primary governance tool for the management of remuneration across the Group.

C

IMPLEMENTATION REPORT

The implementation and outcomes of the remuneration policy over the course of the financial year.

The report should be read in its entirety to gain a full understanding of the activities of Remco, the Group's remuneration philosophy and how this is implemented.



A

Report from the chairman of the Remuneration committee

The board, through Remco, is committed to ensuring total remuneration is aligned with Hyprop's sustainable value-creating strategic objectives and the reasonable expectations of all stakeholders.

In line with our commitment to fair and responsible remuneration, we continuously review our remuneration policies and practices to ensure they remain competitive, relevant and aligned with Hyprop's strategy. Our total remuneration offerings are designed to reward employees who embody our values and drive value creation in the short, medium and long-term.

FOCUS AREAS FOR THE CURRENT YEAR

The remuneration challenges which the Group would face in the 2020 financial year became apparent at an early stage when the guidance provided by the board in September 2019 for the 2020 financial year indicated that the Group's distributable income for the year would decrease by 10% to 13% from 2019. These challenges were compounded by the impact of the Covid-19 national lockdown restrictions in the last quarter of the financial year.

By 30 June 2020 the Company's share price had declined from R69.87 at 30 June 2019 to R22.39, and distributable income for the year ended 30 June 2020 was 34% down from 2019. These metrics are the major drivers of the Group's short-term (STI) and long-term incentive (LTI) plans and had an adverse impact on the remuneration of executive directors and senior management, particularly annual cash incentives and the expected value of conditional unit plan shares.

In addition to the ongoing Remco responsibilities in terms of its charter, the following items received attention during the year:

- **Implementation of malus and clawback provisions** - Malus and clawback provisions are to be applied to STI and LTI awards granted to executives and prescribed officers with effect from 1 July 2019.
- **Changes to timing of STIs** – the STI year has been amended from the calendar year to the Group's financial year to align incentives with the financial year to which they relate.

- **Increased disclosure and refinement of remuneration reporting** – members of Remco and management engaged with stakeholders to obtain feedback on our remuneration policies and disclosure thereof. We have also benchmarked the disclosure in this report against our peers and best practice.

RESPONSIBILITIES OF THE REMUNERATION AND NOMINATION COMMITTEE

In addition to the focus areas outlined above, the committee, in executing its mandate relating to remuneration for non-executive directors, executive directors, executive management and other staff, will:

- Review the remuneration structures on an annual basis to ensure they are:
 - o appropriately performance-based, and linked to realistic performance objectives
 - o support the Group's strategic objectives
 - o representative of best practice in the industry
- Ensure that stakeholders can make an informed assessment of reward practices and governance processes, and
- Ensure that the remuneration practices are compliant with all applicable laws and regulatory codes.

We are committed to maintaining a strong relationship with our shareholders, built on trust and a clear understanding of our remuneration policy, and the practices that have been implemented. The committee endeavours to ensure remuneration reporting is comprehensive and transparent.

COMPOSITION OF THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination committee comprises three independent non-executive directors. The CEO, CFO and head of human resources attend meetings by invitation but are excluded from any deliberations pertaining to their own remuneration. For details of members attendance at Remuneration and Nomination committee meetings refer to page 72 of the Integrated Annual Report.

VOTING AT THE DECEMBER 2020 ANNUAL GENERAL MEETING (AGM)

One of the objectives of this report is to provide shareholders with sufficient information for them to understand and assess the Group's remuneration policies and how these are implemented, in order to make an informed decision when voting on the remuneration related resolutions which will be proposed at the AGM in terms of section 66(9) of the Companies Act, 2008.

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder approval at the AGM in November 2020, details of which can be found in the AGM notice which is available online at www.hyprop.co.za :

- Advisory vote on the remuneration policy;
- Advisory vote on the implementation report; and
- Binding votes on non-executive directors' fees.

The remuneration resolutions were approved by shareholders at the most recent AGMs by the following majorities:

	2019	2018
Remuneration policy (Section B)	83.8%	72.1% [#]
Implementation report (Section C)	88.7%	72.2% [#]
Non-executive directors' fees [*]	97.4%	99.9%

^{*} Average vote % reported for all individual fee votes

[#] Below the requisite 75% majority recommended in terms of King IV

FOCUS AREAS FOR 2021

The current Long-term incentive (LTI) plan was approved by shareholders and implemented in 2013, and currently applies until 2023. However, the Group has recently revised its strategy and changed its primary internal measure of performance from growth in distribution per share to total return based on balanced growth in distributable income and net asset value per share. This is in line with the changing investment environment and the sustainability of the historic REIT model of distributing 100% of distributable income each year to shareholders. As a result, the performance criteria under the current LTI plan are under review by Remco to ensure alignment with the Group's strategic objectives going forward. Recommended changes to the LTI plan will be put to shareholders for approval during the course of the 2021 financial year.

Key performance deliverables for STIs for the 2021 financial year have been revised in the context of the forward looking strategy and to take into account short-term priorities brought about by the impact of the Covid-19 lockdown restrictions and the underperforming economy.

The committee will continue to ensure that the group takes cognisance of evolving legislation and remuneration practices through continuous research and monitoring.



The committee is satisfied that the current remuneration policy is appropriate and that it complies with the recommended practices of King IV.



A copy of the full remuneration policy is available on the website at www.hyprop.co.za

B

Remuneration philosophy and policy

PHILOSOPHY

As an internally managed REIT, the objective of the remuneration policy is to promote the delivery of Hyprop's strategic objectives, encourage individual performance and reward sustainable value creation. Our philosophy emphasises the role of employees in building long-term sustainable value through fair and balanced remuneration.

Hyprop's success depends on attracting and retaining talented, experienced, and motivated individuals who can execute our business strategy to achieve our vision. The Company uses both short and long-term incentives in support of its remuneration of executives, management and key staff.

KEY PRINCIPLES

The principles of the Group's remuneration philosophy serve as the foundation to the Company's employment ethos and support the Group's strategy. The objectives of the reward strategy are to:

- Ensure remuneration policies and practices are aligned with the Group's strategy and values
- Attract and retain talented, experienced, and motivated individuals who can execute the business strategy
- Link salary structures and policies to performance objectives that support sustainable value creation over the short, medium, and long-term and,
- Align with the strategic objectives of the Group and the creation of long-term shareholder value.

FAIR AND REASONABLE REMUNERATION

To give effect to the principles of the Group's remuneration strategy, Remco seeks to:

- Ensure non-executive directors' fees are fair, transparent, and responsible
- Ensure the executive directors' and executive management's remuneration is fair and responsible in the context of overall company remuneration
- Consider the pay ratios between executives and other staff when determining annual salary increments
- Reward employees fairly, reasonably, and responsibly for their contribution to the operating and financial performance of the Company
- Identify, investigate, and address any remuneration disparities related to, inter alia, race and gender

- Ensure guaranteed pay is based on equal pay for work of equal value
- Ensure guaranteed pay for all employees is based on clear role descriptions, which are mapped and aligned with similar jobs. The Patterson job grading system is applied, with the six grades defining the employee's remuneration scale; and
- Implement a training plan. Various training courses are provided to create an empowered work environment.

BENCHMARKING

Fair and competitive remuneration is vital to being an employer of choice. Remco sets the remuneration and the guaranteed packages of executives by reviewing peer group data from the JSE listed property sector and other REITs of similar market capitalisation and revenue.

Remuneration benchmarking is performed bi-annually. Basic salaries are benchmarked against median industry and national salary norms, and adjusted based on an employee's experience, qualifications, responsibilities, and performance.

Independent remuneration consultancies (PwC and 21 Century Proprietary Limited) provide the committee with market data to assist in remuneration decisions, where required and appropriate. Where surveys indicate that a job grouping is significantly out of line with the comparative benchmark, a remuneration adjustment may be considered.

Remuneration may exceed benchmarked median levels where required to attract and retain specialised skills or for employment equity purposes.

LTI PEER GROUP

The Company uses the JSE SA REIT index as the most representative list of companies, for comparison purposes.

RETAINING AND ATTRACTING TALENT

Low employee turnover ensures continuity and aligns Group performance with our long-term strategic objectives. However, we recognise that new employees will often challenge the status quo and introduce fresh ideas, thinking and bring broader experience to the Group. We aim for an appropriate balance between internal and external appointments.

Our human resources strategy is designed to contribute to the required changes in recruitment, selection and hiring, training and development, succession planning, remuneration and benefits, performance management, employee relations and company culture, that will be needed to ensure the Group achieves its strategic goals.

ELEMENTS OF REMUNERATION

We recognise and value our people as our most important asset. The Company's remuneration structure comprises fixed and variable elements aimed at enabling Hyprop to remain competitive while attracting and retaining the talent needed to deliver sustainable value.

The Group is committed to being an employer of choice with a culture, policies and procedures that set high expectations, while providing a stimulating and inclusive working environment,

sustaining its reputation as a leading South African based REIT and delivering on key business priorities. Our remuneration structure is performance driven with key short and long-term targets set annually.

The Company's policy is to pay employees a base salary that is close to the median of comparable companies. In addition, the variable compensation elements are set to enable the overall compensation to move towards the upper quartile for outstanding performance.

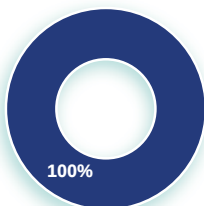
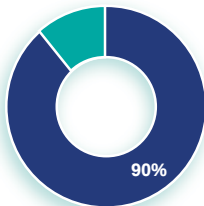
The key elements of our remuneration framework, which guide payments to all employees, comprise total guaranteed remuneration, cash based short-term incentives and equity based long-term incentives.



TOTAL GUARANTEED REMUNERATION

<p>Nature Fixed cost of employment calculated on a total annual cost to company basis</p> <p>Eligibility All employees</p> <p>Delivery method Monthly cash payments</p>	<p>Approval Approved annually by Remco based on recommendations from the CEO and human resources department, following a moderated process with the respective senior managers.</p>	<p>Strategic objectives Remunerate for individual skills at the prevailing market rate for the role.</p> <p>Ensure our pay is competitive in the industry.</p> <p>Attract people with the necessary competencies to add value to our business.</p>
<p>Standard benefits Standard benefits (subject to local labour laws) which are part of total guaranteed remuneration include:</p> <ul style="list-style-type: none"> • Membership of a defined contribution pension fund with death, disability and funeral benefits; • Four months partially paid maternity leave (paid at 50% of cost to company); • Ten days partially paid paternity leave (paid at 50% of cost to company); • Annual leave rising to 20 days after five years and 25 days after 10 years consecutive service with the group; • 6 days paid study leave for approved qualifications; • 3 days family responsibility leave per annum; and • 30 days sick leave over a 3 year period. 	<p>Quantum Base salaries are benchmarked against median industry and national salary norms and adjusted based on an employee's experience, qualifications, responsibilities, and performance.</p> <p>Remuneration may exceed benchmarked levels where required to attract and retain specialised skills or for employment equity purposes.</p>	<p>Salary increases and reviews Salary increases and reviews are based on the performance of the Company, projected inflation, affordability and the performance of the individual employee.</p>

STI SHORT-TERM INCENTIVES

<p>Nature Annual performance bonus paid in cash, based on company and individual performance</p> <p>Eligibility All employees</p> <p>Delivery method Annual cash payment</p>	<p>Quantum Calculated with reference to total guaranteed remuneration of individual employees.</p> <p>KPDs and individual performance reviews form the basis of the STIs.</p>	<p>Approval STIs are awarded annually at Remco's discretion.</p> <p>KPDs are set in conjunction with executive directors and approved by Remco.</p> <p>The results of actual performance against the KPDs are reported to Remco which approves final STI payments.</p>	<p>Strategic objectives Create a high-performance culture by awarding a cash bonus based on achieving predetermined company and individual performance criteria.</p>
<p>Allocation STIs are awarded based on achievement of group key performance deliverables, as well as individual employees' performance review scores, which reflect their individual contributions to the growth and development of their business, division and the Group, as follows:</p> <div><div><p>Executive directors</p><p>100%</p></div><div><p>Senior management</p><p>90%</p></div><div><p>■ KPD ■ Performance review</p></div></div> <p>Exceptional performance by executive directors and senior management may be rewarded at Remco's discretion.</p> <p>Other employees: KPD and performance review weightings are dependent on job grade. Maximum STI potential is determined by job grade.</p> <p>Exceptional performance may be rewarded with higher incentives, after considering recommendations from general managers, portfolio executives and executive directors.</p>		<p>Individual performance review scores Individual performance reviews are completed annually after performance discussions between employees and their manager. These reviews assist the manager and employee to build on strengths and identify areas for improvement.</p> <p>All employees participate in the same appraisals process and rating criteria. This encourages equality and imposes standard measures of performance across the Company.</p> <p>Review criteria Professional conduct; business processes; business operations; employee management; customer service and implementation of company strategy.</p>	<p>Key performance deliverables (KPD) KPDs comprise financial, operational, environmental, social and corporate governance measures.</p> <p>Targets are set annually at group, company, portfolio and business unit level.</p> <p>Performance is measured against these targets, weighted by responsibility and job grade.</p> <p>KPD targets are approved by Remco to ensure that employee performance is aligned with the company's strategy.</p> <p>Progress in achieving KPD targets is communicated to management teams at mid-year, with final evaluations at the end of the financial year.</p>

Individual performance is measured on a five-point scale that offers a high degree of structure

Individual performance review scale	Performance review score
Performance is unsatisfactory	1
Performance requires improvement	2
Performance consistently meets expectations	3
Performance exceeds expectations	4
Exceptional performance delivery	5

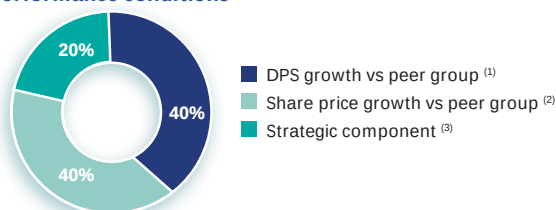
LTI CUP LONG-TERM INCENTIVES

<p>Nature Conditional unit plan (CUP) shares. The CUP was approved by shareholders in 2013 and applies until 2023.</p> <p>Eligibility Executive directors, executives, senior managers and employees with specific core, critical and/or strategic skills.</p>	<p>Quantum Annual awards are calculated with reference to:</p> <ul style="list-style-type: none"> • Total guaranteed remuneration of individual employees; and • the 30 day volume weighted average share price of Hyprop shares on the award date. 	<p>Approval All CUP awards and vesting of shares are subject to Remco's discretion and approval.</p>	<p>Strategic objectives</p> <ul style="list-style-type: none"> • Attract, motivate and retain executive directors, executives, senior managers and employees with specific core, critical and/or strategic skills and • align employee performance with stakeholder interests.
<p>Delivery method CUP shares are allocated annually in two components:</p> <ul style="list-style-type: none"> • Performance award (70%) vesting after 3 years, and • Retention award (30%) vesting after 5 years. 	<p>Retention shares Retention shares vest five years after initial allocation, subject to continuous employment over the vesting period.</p>	<p>Dividends Participants only receive dividends after the CUP shares have vested.</p>	<p>Malus and clawback provisions Malus and clawback provisions are to be applied to STI and LTI awards granted to executives and prescribed officers with effect from 1 July 2019.</p>

Performance shares

Performance shares vest three years after initial allocation, provided the relevant performance conditions have been met.

Performance conditions



The peer group comprises the five largest South African REIT companies by market capitalization, listed on the JSE.

⁽¹⁾ DPS growth is measured as simple growth in distribution per share over the performance period.

⁽²⁾ Share price growth is measured as growth in share price over the performance period (difference between share price at the end and start of the performance period).

⁽³⁾ The strategic component is determined by Remco when awards are issued.

Performance thresholds for vesting of performance shares

Performance condition	Threshold	On target	Stretch
DPS growth vs. peer group	95%	102.5%	110%
Share price growth vs. peer group	95%	105%	120%
Strategic component	Determined by the Remuneration and Nomination committee at time of award.		
Percentage of awards which vest*			
Minimum Threshold	50%, none vest below threshold.		
On Target	100%		
Stretch Target	150%		

* Linear vesting will apply for performance between "Threshold" and "On target" or between "On target" and "Stretch" performance. For example, where performance is exactly halfway between threshold and on target, the portion of performance shares that will vest will reflect a similar ratio, i.e. 75%

EXECUTIVE DIRECTORS' REMUNERATION POLICY

Executive directors are permanent employees. Each executive director has an employment contract which is governed by South African labour legislation and includes a minimum 3 month notice period and standard confidentiality provisions. There are no restraints of trade.

Executive directors' remuneration comprises fixed and variable components, including total guaranteed remuneration, short-term incentives and long-term incentives. The remuneration packages are designed to ensure an appropriate portion of the total remuneration package is linked to the achievement of the Company's strategic objectives, thereby aligning incentives to the creation of sustainable long-term shareholder value. Remuneration packages are reviewed by Remco annually.

If an executive director's services are terminated, Remco oversees any settlement, assisted by labour law advisers where appropriate.

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

Non-executive directors do not have employment contracts with the Company, nor do they participate in any of the Company's incentive plans. There are no contractual arrangements applicable to loss of office. Non-executive directors are subject to retirement by rotation and may be re-elected by shareholders in accordance with the Memorandum of Incorporation of the Company.

Remco recommends the level of fees payable to non-executive directors to the board for final approval by shareholders. Fees are not dependent on meeting attendance but are structured to reflect the complexity, risk and amount of preparation required for each role. The fees are benchmarked against a peer group of JSE listed companies every two years, with CPI adjustments in alternate years. There are no other supplementary fees payable.

Annual fees payable to non-executive directors for the 2020 financial year were approved by shareholders at the AGM on 2 December 2019, as follows:

2020 Financial year fees per annum (Rand)	Chairperson	Member
Board of directors	542 360	362 678
Audit and Risk committee	203 200	152 646
Remuneration and Nomination committee	139 529	98 048
Social and Ethics committee	92 364	74 602
Investment committee	104 300	83 440

Notwithstanding shareholder approval for a CPI adjustment to fees, Remco has recommended and the board has approved that the fees payable to the non-executive directors will not be increased for the 2021 financial year.



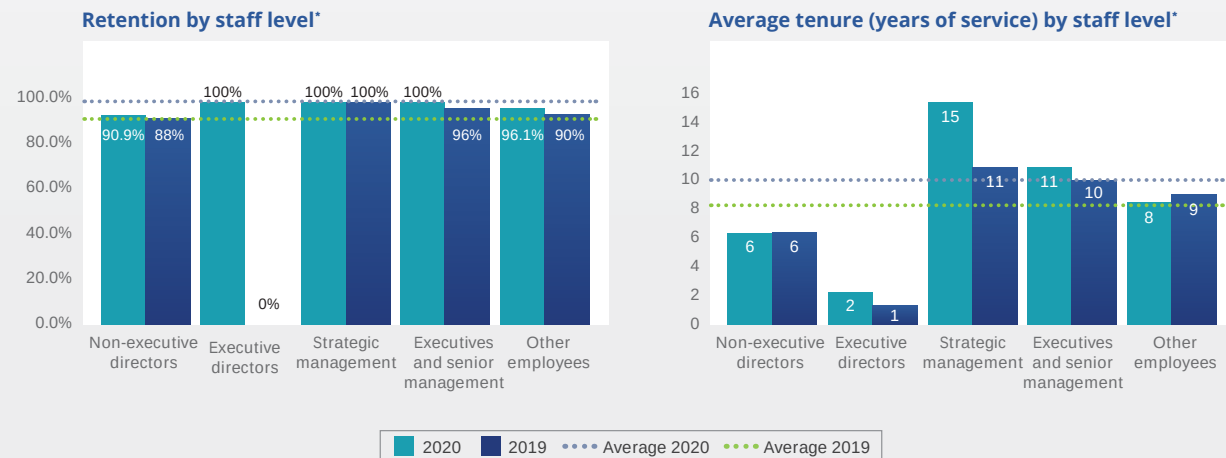
Implementation report

This implementation report provides details how the Company's remuneration policy has been implemented over the course of the financial year and the success in achieving the Group's human resource and remuneration objectives, broadly summarised as:

- Ensure remuneration policies and practices are aligned with the Group's strategy and values
- Attract and retain talented, experienced, and motivated individuals who can execute the business strategy
- Link salary structures and policies to performance objectives that support sustainable value creation over the short, medium, and long-term and,
- Align long-term incentives (LTI) with the strategic objectives of the Group and the creation of long-term shareholder value.

RETAINING AND ATTRACTING TALENT

While low employee turnover ensures continuity and aligns group performance with our long-term strategic objectives, we aim for an appropriate balance between internal and external appointments. Staff retention for the 2020 financial year was 94% (2019: 88%) with an average tenure of service of 10 years (2019: 8 years).



* Impacted by the resignations and appointments of the CEO and CFO



TOTAL GUARANTEED REMUNERATION

Total guaranteed remuneration is defined in terms of a total cost of employment (CTC) package. Total guaranteed remuneration includes base salary, travel allowance, retirement savings, death, disability and healthcare contributions.

2020 FINANCIAL YEAR

Salary increases

In determining the increase in base salaries Remco considered:

- the projected inflation rate,
- the performance of the Company and the affordability of the increased salary cost, and
- as an added measure, the basic increase of 5.5% was compared to the salary increases granted by peer companies.

The increases applied were in line with the industry.

To address the earnings gap, Remco approved higher salary increases for lower earning employees, as was done in the previous three years. Annual base salary increases were effective from 1 January 2020.

Base salary increases applied	2020	2019
Executive directors	5.5%	6.0%
Strategic management	5.5%	6.0%
Executive and senior management	5.5%	6.0%
Other employees	5.5% - 6%	6% - 6.5%
CPI*	4.3%	5.0%
Minimum CTC - lowest level of employee (per annum)	118 418	111 715

* CPI reflects the indicator measured by Statistics South Africa in the preceding October of each year.

Salary benchmarking

Benchmark reviews were conducted externally and include market analyses by industry specialists. Bespoke benchmarks include an industry peer group and comparable companies in various industries selected according to where we compete for talent. The peer group used for the analysis included property management companies and South African REITs.

Adjustments to base salaries were considered and approved for jobs that were significantly out of line with the survey report.

Base salaries adjusted	2020	2019
Executive directors	1	1
Strategic management	1	1
Executive and senior management	7	3
Other employees	45	34
Total	54	39

The Patterson system is used to grade positions in the Company. All position grades were reviewed during the year. Similar positions are aligned within a salary band taking into consideration an employee's experience, qualifications, the nature of work and the level of responsibility. This practice accords with the Company's commitment to fair remuneration and equal pay for work of equal value.

Base salaries paid	2020			2019		
	No. of staff	R'000	Var. %	No. of staff	R'000	Var. %
Executive directors	3	10 891	8.3%	3	10 056	37.4%
Strategic management	4	8 041	18.5%	3	6 788	6.0%
Executive and senior management	21	29 410	3.0%	23	28 563	(8.1%)
Other employees	199	71 731	7.3%	190	66 864	4.7%
Total	227	120 073	6.9%	219	112 271	3.3%

Employee benefits

Our employee surveys confirmed that our employee benefits contribute to the loyalty and commitment of our employees. Details of employee surveys are given on page 62.

Defined contribution pension fund

216 (2019: 208) employees are members of the Company's pension fund and R13,9 million (2019: R12,6 million) was contributed to the pension fund during the year. In addition to retirement savings, membership of the fund provides life, disability and funeral insurance.

	Benefit
Life insurance	Four times annual pensionable salary. Education protector to third year tertiary education.
Disability insurance	75% of monthly pensionable salary.
Funeral insurance	R 25 000.

Parental leave

Hyprop offers four months partially paid maternity leave and 10 days partially paid paternity leave.

A total of R98 882 (2019: R88 000) was paid to seven (2019: two) employees who received a total of 350 days (2019: four months') partially paid maternity and paternity leave during the year.

2021 FINANCIAL YEAR

Salary increases for the 2021 financial year

In determining the increase in base salaries Remco considered:

- the projected inflation rate, and
- the performance of the Company and the affordability of the increased salary cost.

No base salary increases have been granted to executive directors, strategic management and executive and senior management employees for the 2021 financial year. All other employees' base salaries will be increased by CPI with effect from 1 January 2021.



SHORT-TERM INCENTIVES

STIs are based on achieving Key Performance Deliverables (KPDs) and employees' individual performance review scores.

2020 FINANCIAL YEAR

Key performance deliverables

Performance against KPDs is measured to ensure the Group achieves its strategic priorities and delivers value for stakeholders. KPDs for the 2020 financial year were approved by Remco in May 2019. Actual performance is measured against targets and communicated to management in December 2019 and June 2020.

KPD scores against targets relating to the 2020 financial year will be applied to STIs allocated for the 2020 financial year, to be paid in December 2020. Remco reviewed the targets for the executive directors, senior management and management teams during the year.

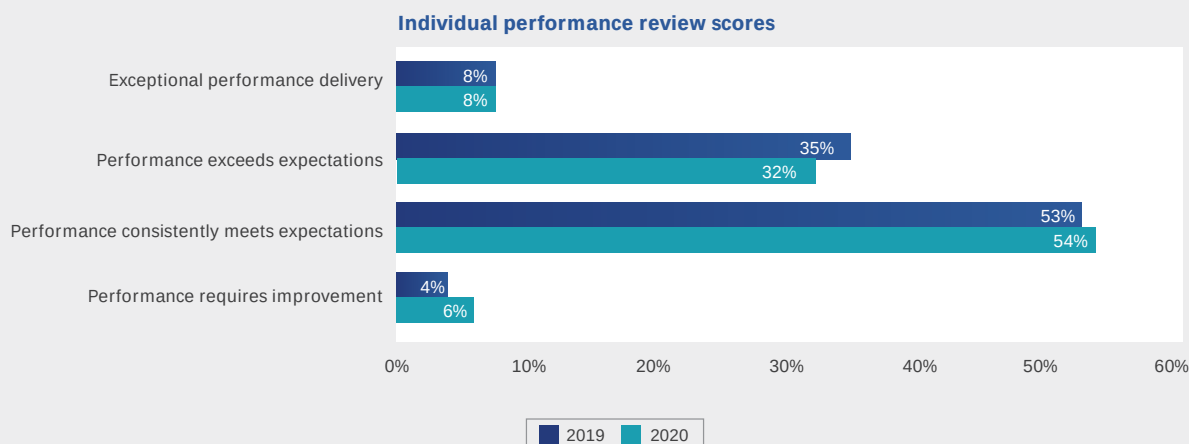
KPD outcomes were significantly impacted in the last quarter of the financial year due to the Covid-19 national lockdown.

KPD outcomes - 2020 financial year

Key performance indicator	Weighting	Target	
Financial targets	55%		
Distributable income per share	20%	668 cents distributable income per share	
Total return on investment	20%	Total return on investment relative to peer group – 102.5%	
Loan to value ratio (based on a fully consolidated loan to value ratio calculation)	15%	Reduce loan to value ratio by 4.5%	
Operational targets	25%		
Trading density growth (year on year)	10%	South Africa: 1.5% Eastern Europe: 2.5%	Performance against KPD targets for the eight months to February 2020 was on target. However, the outbreak of Covid-19 and the resultant national lockdowns impacted the Group's overall operational and financial performance, and resulted in none of the KPD targets being achieved for the year ended 30 June 2020, other than the GRESB score which was 68 (compared to the target of 65).
Tenant turnover growth (year on year)	10%	South Africa: 1.5% Eastern Europe: 3%	
Foot count growth – South Africa	5%	South Africa: consistent with previous year	
Environmental targets	20%		
Operations risk and environmental impact	13.5%	Global Real Estate Sustainability Benchmark (GRESB) score of 65	In light of this, no STIs will be paid to executive directors, strategic management or executive and senior management for the 2020 financial year.
	6.5%	Two solar photovoltaic projects implemented within budget during the year	
Total	100%		
Modifier			
Transformation	0% to -10%	BBBEE verification rating improved by one level	
Innovation	0% to 5%	Implement an innovation project that contributes to the strategic objectives	
Total	100%		

Individual performance reviews

Individual performance reviews were conducted during October 2019. The rating process was done through the Company's employee self-service system (ESS) after meetings between the employees and line managers. Discussions are structured to cover work goals achieved, training needs and job performance, and to set personal job goals for the next 12 months. The performance of any employee that requires improvement is addressed during the year through consultation, and if required, training.



Individual performance reviews for the 2020 financial year will be completed by 31 October 2020.

PERFORMANCE MANAGEMENT SCORE AND STI ALLOCATIONS

2019 Financial year paid in 2020

STIs for the year ended 30 June 2019 were paid in December 2019. Remco considered the outcome of the performance reviews conducted in October 2019 and the June 2019 KPD score (84%) when approving the STIs for the financial year ended 30 June 2019. STIs paid for the year aligned with the remuneration policy.

STIs paid during the 2020 and 2019 financial years	2020	2019	Variance
	R000	R000	%
Executive directors	1 830	5 894	(68.9%)
Strategic management	1 952	2 614	(25.3%)
Executives and senior management	7 093	8 132	(12.8%)
Other employees	8 953	10 556	(15.2%)
Total	19 829	27 196	(27.1%)

The amounts shown in 2020 are the amounts paid in December 2019 in relation to the 2019 performance year.



2020 Financial year

As a result of the KPDs for the 2020 financial year not being achieved, no STIs will be paid to eligible participants for the 2020 financial year. Remco will however consider discretionary bonuses for exceptional performance during the Covid-19 lockdown period. These amounts, if any, will be paid to participants in December 2020.

Remco has provisionally approved the payment of a "13th cheque" to all employees who do not participate in the CUP, and whose individual performance review score for the 2020 financial year meets or exceeds expectations. These amounts will be paid to employees in December 2020.

2021 FINANCIAL YEAR

Key performance deliverables for STIs for the 2021 financial year have been revised by Remco in the context of the strategy and the short-term priorities brought about by the impact of the Covid-19 lockdown restrictions and underperforming economy. Remco has also taken into account the fact that the board has resolved not to provide guidance on distributable income or dividends for the financial year ending 30 June 2021.

The overall KPD's for executive directors for the year ending 30 June 2021, as set out below, were approved by Remco in October 2020.

KPD targets - 2021 financial year

Key performance indicator	CEO	CFO	CIO
Human Capital			
Review of organisational structure and overheads	✓	✓	
Review of remuneration policy for implementation on 1 July 2021	✓	✓	✓
Asset Management			
Resolution of Hystead shareholders' agreement	✓		
Disposal of remaining sub-Saharan Africa investments	✓		✓
Review of South African property portfolio	✓		✓
Positive progress on IT investment and exposure / Non-tangible asset strategy	✓	✓	
Property Management			
Achieve cost savings greater than R50 million	✓	✓	✓
Limit overall vacancies	✓	✓	✓
Arrears management	✓	✓	✓
Funding			
Mitigation of currency risk pertaining to funding of European investments	✓	✓	
Refinancing of loan facilities, falling due twelve months subsequent to 2021 financial year end, to be completed		✓	
BBBEE			
Rating improvement of at least one level	✓	✓	✓
Governance			
Internal audit plan for Hystead to be agreed		✓	
Innovation			
Retain distributions to repay debt without losing REIT status	✓	✓	
Business Growth and Development			
Optimise the financial reporting and systems		✓	

Similar KPDs will be set for the strategic and senior management teams for the year ending 30 June 2021, taking into account their roles within the Company and relevant short-term priorities. The relative weightings of each KPD will be aligned accordingly.

Performance against targets and payment of STIs will be reviewed and approved by Remco, based on a bonus pool of up to 75% of the guaranteed total remuneration of the participating executives and 50% of the guaranteed total remuneration of senior and strategic management employees, and taking into account market conditions, and the performance of the Company and individual employees.

LTI LONG-TERM INCENTIVES

AWARDS ISSUED IN 2020 FINANCIAL YEAR

Awards over 267 570 CUP shares (Tranche 9) were approved by Remco and made to 28 participants in July 2019.

SHARES VESTED IN 2020 FINANCIAL YEAR

The 1 July 2016 Performance CUP award (Tranche 4) and the 1 July 2014 Retention CUP award (Tranche 2), vested in October and September 2019 respectively. The 1 January 2017 Performance CUP award (Tranche 5) vested in March 2020.

Performance conditions applied for the Tranche 4 Performance CUP award

The performance shares awarded are subject to performance conditions relating to distributions and share price growth from 1 July 2016 to 30 June 2019 (the performance period) measured against the five largest South African REITs. The comparative companies were Growthpoint, Redefine, Fortress, Investec Property Fund and Vukile.

Performance condition	Threshold	Target	Stretch	Growth over performance period	Weighted peer group growth over performance period	Hyprop's growth relative to peer group	Weighting	% of the award vested	Weighted total vested
Growth in distribution per unit relative to the peer group	95%	105%	110%	20.2%	17.9%	112.5%	50%	150%	75%
Unit price performance relative to the peer group	95%	102.5%	120%	(46.2%)	(13.07%)	-	50%	0%	0%
Strategic element	Not applicable								
% of shares awarded which vested									75%

Remco approved the 75% performance condition met, pursuant to which 26 762 retention shares vested and 35 962 performance shares were forfeited.

Performance conditions applied for the Tranche 5 Performance CUP award made on 1 January 2017

The performance shares awarded are subject to performance conditions relating to distributions and share price growth from 1 January 2017 to 31 December 2019 (the performance period) measured against the five largest South African REITs. The comparative companies were Growthpoint, Redefine, Fortress, Equites and Vukile.

Performance condition	Threshold	Target	Stretch	Growth over performance period	Weighted peer group growth over performance period	Hyprop's growth relative to peer group	Weighting	% of the award vested	Weighted total vested
Growth in distribution per unit relative to the peer group	95%	105%	110%	(52.2%)	(20.1%)	Did not trigger minimum threshold	50%	0%	0%
Unit price performance relative to the peer group	95%	102.5%	120%	(0.2%)	(15.2%)	Did not trigger minimum threshold	50%	0%	0%
Strategic element	Not applicable								
% of shares awarded which vested									0%

None of the performance conditions were met for the Tranche 5 performance shares, pursuant to which no performance shares vested and 5 982 performance shares were forfeited.

TOTAL LTIs AWARDED SINCE INCEPTION

The total number of shares awarded under the CUP since inception:

RETENTION SHARES	Award date	FV at grant date	Number of participants	Number of shares			
				Issued	Forfeited	Vested	Unvested
Tranche 1	1-Jan-14	R 57.98	27	46 100	(8 148)	(37 952)	-
Tranche 2	1-Jul-14	R 59.08	26	47 324	(18 010)	(29 314)	-
Tranche 3	1-Jul-15	R 96.68	26	33 549	(13 465)	(729)	19 355
Tranche 4	1-Jul-16	R 102.32	26	33 499	(12 837)	(102)	20 560
Tranche 5*	1-Jan-17	R 90.07	1	2 564	-	-	2 564
Tranche 6	1-Jul-17	R 86.70	25	35 114	(12 043)	-	23 071
Tranche 7	1-Jul-18	R 70.72	25	41 281	(8 915)	-	32 366
Tranche 8	1-Jan-19	R 51.24	2	16 835	-	-	16 835
Tranche 9	1-Jul-19	R 39.50	28	80 330	-	-	80 330
Total retention shares				336 596	(73 418)	(68 097)	195 081

PERFORMANCE SHARES	Performance conditions met	Award date	FV at grant date	Number of participants	Number of shares			
					Issued	Forfeited	Vested	Unvested
Tranche 1	100.0%	1-Jan-14	R 57.98	27	107 563	(6 302)	(101 261)	-
Tranche 2	89.4%	1-Jul-14	R 59.08	26	110 422	(14 133)	(96 289)	-
Tranche 3	75.0%**	1-Jul-15	R 96.68	26	78 282	(28 723)	(49 559)	-
Tranche 4	75.0%**	1-Jul-16	R 102.32	26	80 979	(43 253)	(37 726)	-
Tranche 5*	0.0%**	1-Jan-17	R 90.07	1	5 982	(5 982)	-	-
Tranche 6		1-Jul-17	R 86.70	25	84 840	(30 230)	(790)	53 820
Tranche 7		1-Jul-18	R 70.72	25	96 302	(20 800)	-	75 502
Tranche 8		1-Jan-19	R 51.24	2	39 281	-	-	39 281
Tranche 9		1-Jul-19	R 39.50	28	187 420	-	-	187 420
Total performance shares					791 071	(149 422)	(285 625)	356 024
Total performance and retention shares					1 127 667	(222 840)	(353 722)	551 104

* Special allocation

**Resignations and performance conditions not met

Reconciliation of movement in total number and value of CUP shares from 1 July 2019 to 30 June 2020

Unit reconciliation for the year ended 30 June 2020	Balance at the beginning of the year	Issued	Forfeited	Vested	Balance at the end of the year
Retention shares	141 513	80 330	-	(26 762)	195 081
Performance shares	210 547	187 420	(5 982)	(35 962)	356 024
Total number of shares	352 060	267 570	(5 982)	(62 724)	551 105

Value reconciliation for the year ended 30 June 2020	Value at the beginning of the year ⁽¹⁾	Awarded ⁽²⁾	Forfeited ⁽¹⁾	Vested ⁽³⁾	Change in market value	Value at the end of the year ⁽⁴⁾
	R'000	R'000	R'000	R'000	R'000	R'000
Retention shares	9 888	3 173	-	(1 574)	(7 119)	4 368
Performance shares	1 411	9 246	(418)	(2 114)	(13 453)	7 971
Total value of shares	24 598	12 419	(418)	(3 688)	(20 572)	12 339

1) Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R69.87 on 30 June 2019

2) Shares awarded during the year are valued at the 30 day VWAP on grant date of R 68.71

3) Shares vested during the year are valued at the share price on vesting date of R58.80

4) Shares outstanding at the end of the year are valued at the closing share price of R22.39

Value of LTIs which vested during the year

LTIs which vested during the 2020 financial year	30 June 2020	30 June 2019
	R000	R000
Executive directors	-	1 751
Strategic management	1 393	1 471
Executives and senior management	2 295	4 202
Total value of shares vested	3 688	7 424

D EXECUTIVE DIRECTORS' REMUNERATION

TOTAL REMUNERATION

Total guaranteed remuneration and STIs

	Basic salary	Pension fund contributions	Performance bonus	Vested shares	Other benefits	Total
	R000	R000	R000	R000	R000	R000
June 2020						
Morné Wilken (CEO)	4 507	303	590	-	36	5 436
Brett Till (CFO)	2 685	247	541	-	60	3 533
Wilhelm Nauta (CIO)	2 639	178	700	-	60	3 577
Total	9 831	728	1 831	-	156	12 546
June 2019						
Morné Wilken (CEO) ⁽¹⁾	2 087	162	-	-	492	2 741
Wilhelm Nauta (CIO)	2 432	280	2 186	-	77	4 975
Brett Till (CFO) ⁽²⁾	1 719	295	-	-	33	2 047
Pieter Prinsloo (former CEO) ⁽³⁾	2 493	118	3 708	1 751	447	8 517
Laurence Cohen (former CFO) ⁽⁴⁾	202	35	-	-	66	303
Total	8 933	890	5 894	1 751	1 115	18 583

⁽¹⁾ Appointed with effect from 27 December 2018

⁽²⁾ Appointed with effect from 1 October 2018

⁽³⁾ Resigned with effect from 31 January 2019

⁽⁴⁾ Resigned with effect from 31 July 2018

LONG-TERM INCENTIVES

Number of shares outstanding under the CUP

	Outstanding at the beginning of the year # of shares	Awarded # of shares	Forfeited # of shares	Vested # of shares	Outstanding at the end of the year # of shares	Market value of shares outstanding at the end of the year R'000
June 2020						
Morné Wilken (CEO)	37 190	48 043	-	-	85 233	1 908
Wilhelm Nauta (CIO)	26 754	24 450	(5 982)	-	45 222	1 013
Brett Till (CFO)	18 927	25 183	-	-	44 110	988
Total	82 871	97 676	(5 982)	-	174 565	3 909
June 2019						
Morné Wilken (CEO)	-	37 190	-	-	37 190	2 598
Wilhelm Nauta (CIO) ⁽¹⁾	16 742	10 012	-	-	26 754	1 869
Brett Till (CFO)	-	18 927	-	-	18 927	1 322
Pieter Prinsloo (former CEO)	88 045	29 715	(109 123)	(8 637)	-	-
Laurence Cohen (former CFO)	47 541	-	(47 541)	-	-	-
Total	152 328	95 844	(156 664)	(8 637)	82 871	5 789

⁽¹⁾ The unvested shares shown for Mr Nauta include all share allocations granted during his tenure, including prior to becoming an executive director on 5 July 2018

Value of shares outstanding under the CUP

June 2020	Outstanding at the beginning of the year ⁽²⁾ R'000	Awarded ⁽³⁾ R'000	Forfeited ⁽²⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁴⁾ R'000
Morné Wilken (CEO)	2 598	3 301	-	-	(3 991)	1 908
Wilhelm Nauta (CIO)	1 869	1 680	(418)	-	(2 118)	1 013
Brett Till (CFO)	1 322	1 730	-	-	(2 064)	988
Total	5 789	6 711	(418)	-	(8 173)	3 909

⁽²⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R69.87 on 30 June 2019

⁽³⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 68.71

⁽⁴⁾ Shares outstanding at the end of the year are valued at the closing share price of R22.39

June 2019	Outstanding at the beginning of the year ⁽⁵⁾ R'000	Awarded ⁽⁶⁾ R'000	Forfeited ⁽⁵⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁷⁾ R'000
Morné Wilken (CEO)	-	3 301	-	-	(703)	2 598
Wilhelm Nauta (CIO)	1 713	889	-	-	(733)	1 869
Brett Till (CFO)	-	1 680	-	-	(358)	1 322
Pieter Prinsloo (former CEO)	9 011	2 638	(9 898)	(1 751)	-	-
Laurence Cohen (former CFO)	4 865	-	(4 865)	-	-	-
Total	15 589	8 508	(14 763)	(1 751)	(1 794)	5 789

⁽⁵⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R102.34 on 30 June 2018

⁽⁶⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 88.77

⁽⁷⁾ Shares outstanding at the end of the year are valued at the closing share price of R69.87

TOTAL GUARANTEED REMUNERATION

Approved increases

In determining the salary increases for executive directors, the Remuneration committee considered inflation, market conditions, industry benchmarks and changes in roles and responsibilities.

Approved increases (applied in January 2020)	30 June 2020 Rands	30 June 2019 Rands	Variance %
MC Wilken – CEO	4 975 000	4 716 000	5.5%
BC Till – CFO	3 100 000	2 884 000	7.5%
AW Nauta - CIO	2 954 000	2 800 000	5.5%
Total	11 029 000	10 400 000	6.0%



SHORT-TERM INCENTIVES

Short-term performance incentives relating to the 2019 financial year were paid in December 2019 based on the KPD performance below.

Key performance indicator	Target	Performance achieved	Weighting	Weighted score		
				CEO MC Wilken	CFO BC Till	CIO AW Nauta
Financial targets			58%	40.6%	40.6%	40.6%
Distributable income growth	5% to 7% (per division)	1.5% negative growth year on year	70%	23.1%	23.1%	23.1%
Budgeted income and expense management	On budget	8% below budget	70%	17.5%	17.5%	17.5%
Operational targets			26%	23.8%	23.8%	23.8%
Trading performance	4% trading density increase year on year	0.61% increase in trading density year on year	85%	2.6%	2.6%	2.6%
	Foot count consistent with previous year	1.36% decline in foot count year on year				
Leasing	Vacancy movement – 0% increase year on year	Reduced vacancies year on year by 27%	92%	15.6%	15.6%	15.6%
	Rentals achieved – on budget. Rental escalation on new and renewed leases – 7%	Rentals achieved lower than budget due to rent reversions. Rental escalations achieved – 7.2%				
	2% of lease documentation in the process of being finalised	11% of lease documentation in the process of being finalised				
Tenant arrears and deposits	2% arrears outstanding as a % of total rent roll raised	Outstanding arrears of 0.98% of annual rent roll raised	93%	5.6%	5.6%	5.6%
	1.5% deposits outstanding as a % of deposits raised	15.2% deposits outstanding as a % of deposits raised				
Environmental, social and corporate governance			16%	19.6%	19.6%	19.6%
Operations risk and environmental impact	Building compliance files 90% complete	94% complete	110%	6.6%	6.6%	6.6%
	80% waste recycling rate	81% of waste recycled during the year				
	3% kWh saving year on year	5.57% kWh saving achieved year on year				
Transformation	75% of all new and internal appointments to be black as defined in the BBBEE Act	88% of all new appointments were black employees as defined in the BBBEE Act	130%	6.5%	6.5%	6.5%
	75% of all procurement from suppliers rated between BEE levels 1 – 4	80% of all procurement from suppliers rated between BEE levels 1 - 4	130%	6.5%	6.5%	6.5%
Total			100%	84%	84%	84%
STI allocated				589 500	540 800	700 000
STI as a % of base salary				12%	18%	24%

STIs for MC Wilken and BC Till were allocated pro-rata, based on the number of months from the date they joined the Company to 30 June 2019.

LTI LONG-TERM INCENTIVES

The total number of shares awarded to executive directors in terms of the CUP are as follows:

	Award date	Issued	Forfeited	Vested	Unvested
MC Wilken - CEO					
Retention shares					
Tranche 8	1 January 2019	11 157	-	-	11 157
Tranche 9	1 July 2019	14 413	-	-	14 413
		25 570	-	-	25 570
Performance shares					
Tranche 8	1 January 2019	26 033	-	-	26 033
Tranche 9	1 July 2019	33 630	-	-	33 630
		59 663	-	-	59 663
Total shares		85 233	-	-	85 233
BC Till - CFO					
Retention shares					
Tranche 8	1 January 2019	5 678	-	-	5 678
Tranche 9	1 July 2019	7 555	-	-	7 555
		13 233	-	-	13 233
Performance shares					
Tranche 8	1 January 2019	13 249	-	-	13 249
Tranche 9	1 July 2019	17 628	-	-	17 628
		30 877	-	-	30 877
Total shares		44 110	-	-	44 110
AW Nauta - CIO					
Retention shares					
Tranche 5	1 January 2017	2 564	-	-	2 564
Tranche 6	1 July 2017	2 459	-	-	2 459
Tranche 7	1 July 2018	3 004	-	-	3 004
Tranche 9	1 July 2019	7 335	-	-	7 335
		15 362	-	-	15 362
Performance shares					
Tranche 5	1 January 2017	5 982	(5 982)	-	-
Tranche 6	1 July 2017	5 737	-	-	5 737
Tranche 7	1 July 2018	7 008	-	-	7 008
Tranche 9	1 July 2019	17 115	-	-	17 115
		35 842	(5 982)	-	29 860
Total shares		51 204	(5 982)	-	45 222

TOTAL COMPENSATION RATIO

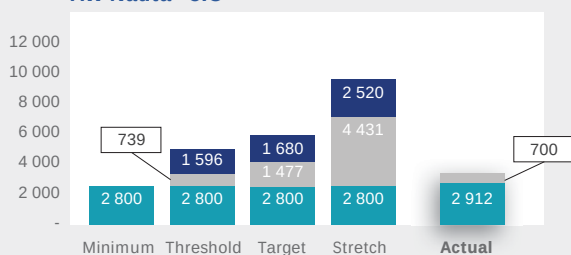
The graphs below reflect the actual remuneration paid to the executive directors in the 2020 financial year compared to their potential total remuneration, including total guaranteed remuneration, STIs and LTIs for the 2020 financial year.

Actual amounts comprise total guaranteed remuneration for the 2020 financial year, STIs for the 2019 financial year which were paid in the 2020 financial year, STIs for the 2020 financial year (which were Nil) and the value of LTIs (CUP shares) awarded during the 2020 financial year.

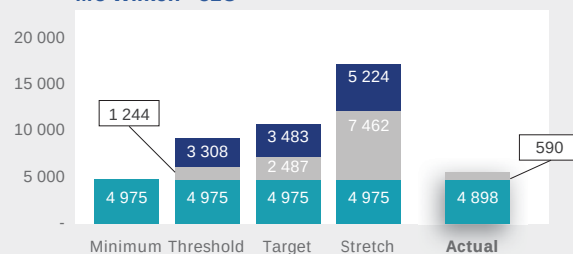
Different scenarios are shown for the potential STI and LTI amounts, as follows:

- STI - value of potential cash bonuses based on achieving the threshold, target or stretch criteria for the current year KPDs
- LTI - values are based on the number and value of CUP shares awarded during the year, the potential number of shares which will vest on achieving threshold, target or stretch criteria and the market price of Hyprop shares on the award date. The actual LTI amounts for the 2020 financial year which vest will only be quantified at the end of the three/five year vesting periods.

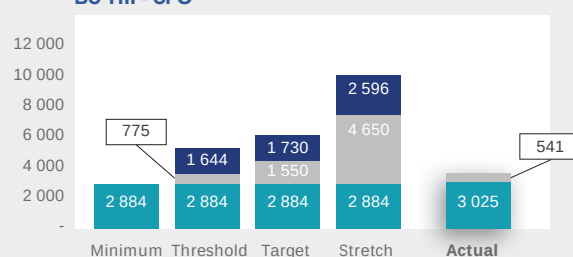
AW Nauta - CIO



MC Wilken - CEO



BC Till - CFO



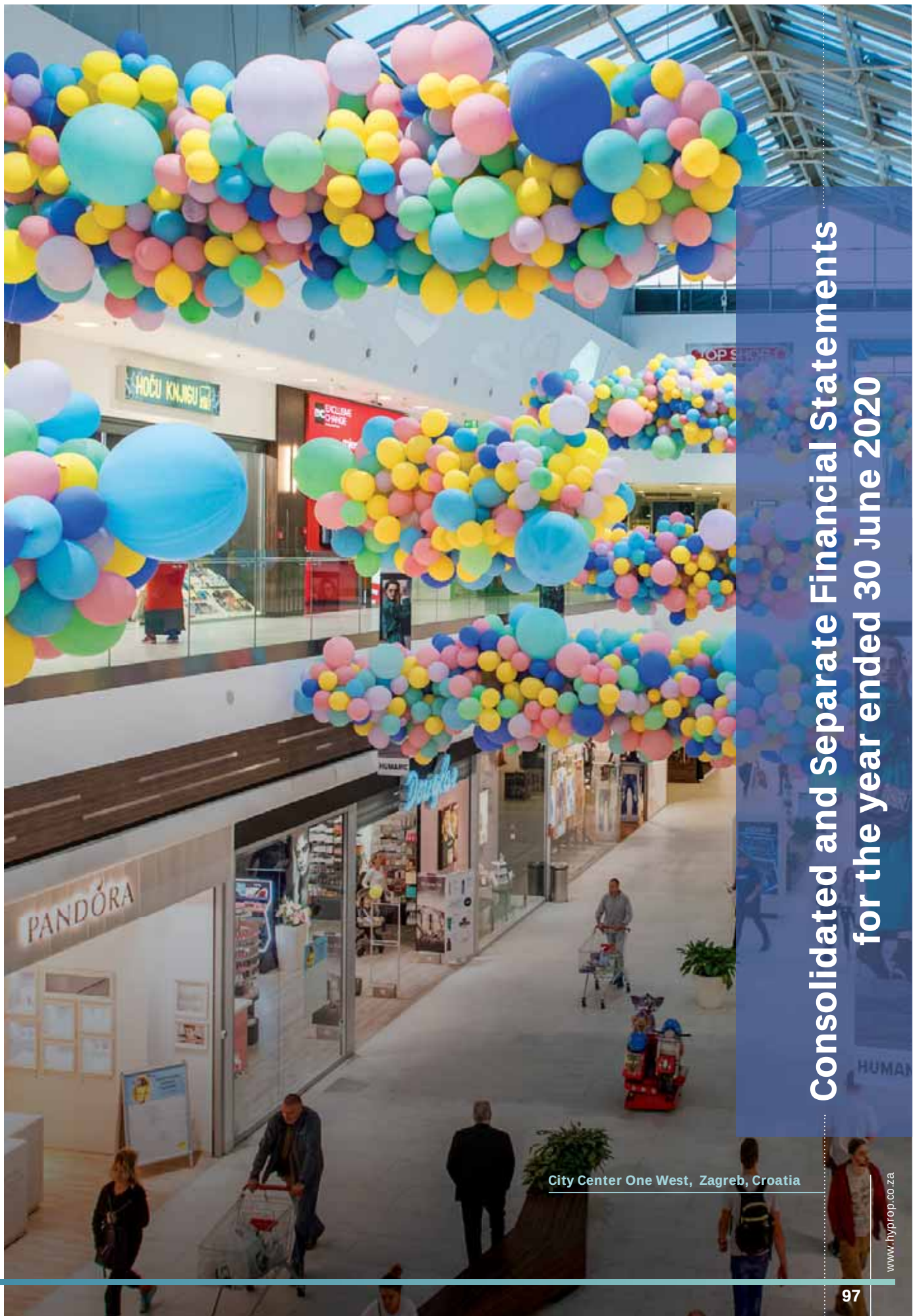
TGR STI LTI

NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees paid to non-executive directors for the 2020 financial year were as follows:

	30 June 2020	30 June 2019
Independent non-executive directors		
Gavin Tipper (chairman)	902	807
Lindie Engelbrecht	-	230
Zuleka Jasper	506	479
Mike Lewin	221	421
Nonyameko Mandindi	440	383
Thabo Mokgatlha	652	567
Stewart Shaw-Taylor	705	637
Annabel Dallamore	444	-
Non-executive directors		
Kevin Ellering	438	397
Louis Norval	438	397
Total	4 747	4 318

H



**Consolidated and Separate Financial Statements
for the year ended 30 June 2020**

City Center One West, Zagreb, Croatia

www.hyprop.co.za

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The preparation of these Consolidated and separate financial statements has been supervised by: Brett Till CA(SA), Chief Financial Officer of the Group

Consolidated and Separate Financial Statements

City Center One East, Zagreb, Croatia

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Basis of preparation

These Consolidated and Separate Financial Statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Approval of the annual financial statements

The Audited Consolidated and Separate Annual Financial Statements, set out on pages 120 to 213, were approved by the board of directors on 21 September 2020.

Declaration by the Company secretary

for the year ended 30 June 2020

We declare that, to the best of our knowledge, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act of South Africa, as amended, and that all such returns are true, correct and up to date.

S. Dartnall

Statucor Proprietary Limited
Company secretary

Shantel Dartnall

Johannesburg
21 September 2020

Report of the Audit and Risk committee



THABO MOKGATLHA
Chair Audit and Risk committee

Introduction

The Audit and Risk committee (the ARC) is pleased to submit its report, as required by section 94(7)(f) of the Companies Act of South Africa, for the year ended 30 June 2020.

In 2020, the ARC, faced with the unprecedented circumstances caused by the Covid-19 pandemic, focused on monitoring the risks arising from the volatile and unprecedented economic and social impact of Covid-19 in all jurisdictions where the Group operates. This was in addition to the ARC's traditional responsibilities, which include, monitoring and management of risk in the Group and monitoring the integrity of financial reporting systems, internal controls and financial disclosures.

Focus areas in 2020

Areas of special focus that the ARC provided oversight on included:

- **Covid-19:**
Assessing the Group's response and risk management strategies to address the impact of the Covid-19 pandemic.
- **Tenant rental relief:**
Monitoring the Group's response to tenants' requests for financial assistance (rental discounts) due to mall closures across the portfolio.
- **Cashflow and funding:**
Assessing and monitoring the Group's cash resources, funding needs and compliance with borrowing covenants in the dynamic economic environment.
- **Going concern:**
Assessing management's conclusion regarding the going concern assumption, including financial liquidity risks.

Statutory duties

The ARC is governed by a formal charter that codifies its role and responsibilities. The primary responsibilities of the ARC are to:

- Oversee integrated reporting, including consideration of significant judgements and reporting decisions made
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- Review the expertise, resources and experience of the Company's finance function, and satisfy itself on the suitability of the expertise and experience of the chief financial officer
- Oversee internal audit, and in particular, the appointment and/or dismissal of the internal audit service provider
- Monitor compliance with the risk policy
- Recommend the appointment of the external auditor and oversee the external audit process, and
- Make submissions to the board on any matter concerning the Company's accounting policies, financial controls, records, reporting and risk management.

Functions

In addition to the primary responsibilities above, the ARC also covered matters relating to compliance and litigation, budgeting and forecasting, taxation and accounting policy choices and supported the board in the following areas:

- Advising the board on the accounting implications of major transactions
- Reviewing adherence to Hyprop's systems of internal controls and, where necessary, monitoring improvements
- Recommending the appointment of the external auditor for approval by shareholders
- Monitoring established guidelines for the use of the external auditor for non-audit services, to maintain independence
- Recommending the appointment of a new internal audit service provider
- Approving the annual internal audit plan and reviewing the scope, work and reports of the internal audit function

- Monitoring compliance with Real Estate Investment Trust (REIT) requirements, in accordance with the JSE Listings Requirements, and confirming that the risk management policy, which prohibits the Company from entering into derivative transactions not in the ordinary course of business, has been complied with in all material respects, and
- Considering and improving financial reporting in line with the results of the JSE proactive monitoring process in respect of the consolidated and separate financial statements.

Composition and meetings

All members of the ARC are independent non-executive directors, in compliance with the Companies Act of South Africa and as recommended by King IV. The external and internal auditors and executive management are invited to attend every meeting of the ARC.

Details of the ARC members' attendance at meetings held during the year are set out in the Governance section of the integrated report.

Significant financial statement reporting issues

A significant part of the financial reporting process includes making estimates and exercising judgement. The ARC reviewed and evaluated the main judgements, estimates and assumptions made by management and the conclusions drawn from the available information and evidence.

The ARC also ensured that these matters are included and covered in the plans and work of the external auditor.

The key issues involving estimates and judgements during the year are set out below:

Key issue	Judgement in financial reporting	Audit and Risk committee review	Conclusion
1 Valuation of investment property	<p>Investment property is the Group's most significant asset and is measured at fair value, with changes in fair value recognised in profit or loss.</p> <p>The Group used independent valuers to value the consolidated investment properties.</p> <p>The valuation involves making significant judgements, especially those around the current market conditions, reversionary capitalisation rates and rental levels.</p>	<p>The ARC considered the independence and qualifications of the independent valuers appointed to carry out the investment property valuations, as well as the rotation of properties between the two appointed valuers.</p> <p>The ARC reviewed the external valuations which supported the accounting entries, including the discount rates and reversionary capitalisation rates applied by the independent valuers, and the manner in which the independent valuers took the prevailing Covid-19 circumstances into account in performing the valuations.</p> <p>The ARC also reviewed the adequacy of the disclosures relating to investment properties included in the financial statements, including specifically the disclosure of the uncertainty around the valuations as a result of Covid-19 expressed by the independent valuers in their reports.</p>	The ARC endorsed the independent valuation of the investment properties and the relevant disclosures on the valuations included in the financial statements.
2 Determining the recoverable amounts for the shares held in, and loans advanced to, the sub-Saharan African (excluding South Africa) investments	<p>Judgements and assumptions were applied by management in calculating the recoverable amount of the ordinary and preference shares held in AttAfrica as well as the loan advanced to AttAfrica, particularly with respect to:</p> <ul style="list-style-type: none"> • Determining the cash-generating unit (CGU) and the ongoing appropriateness of the CGU being used for the purpose of impairment testing • Assumptions on future pricing, net cash inflows and discount rates • The value of underlying assets held by these entities, including specifically the investment properties of the underlying property companies • Prospects for the investee companies and expected lifetime credit losses • The likely time period over which these investments may be realised. 	<p>The ARC assessed the appropriateness of the CGU and reviewed the impairment triggers.</p> <p>In considering the fair value of the ordinary and preference shares and the need to impair the loan, the ARC considered the following:</p> <ul style="list-style-type: none"> • The Group's stated intention to exit the investments in sub-Saharan Africa (excluding South Africa) • The nature of the underlying investments • The remaining period of the loans and the probability of their extension upon maturity • Terms of the preference shares • Values of the underlying property assets and the net assets/liabilities of the underlying property companies • The anticipated time to dispose of the sub-Saharan African (excluding South Africa) assets • Expected profits/losses during the time it may take to dispose of the remaining sub-Saharan African (excluding South Africa) assets • The anticipated proceeds which may be received on disposal of the sub-Saharan African (excluding South Africa) investments. 	The ARC endorsed management's final assessment of the fair value of the ordinary and preference shares in AttAfrica and the impairment of the loan advanced to AttAfrica.

REPORT OF THE AUDIT AND RISK COMMITTEE *continued*

Key issue	Judgement in financial reporting	Audit and Risk committee review	Conclusion
3 Classification and valuation of investment in Hystead	<p>Judgements were applied by management in interpreting the IFRS implications of the suite of agreements which govern the relationship between the shareholders of Hystead, to determine the appropriateness of the classification of the investment in Hystead as a financial asset.</p> <p>Estimations and judgements were also applied in determining the future cash flows, appropriate discount and exit cap rates and the application of annual and terminal growth rates when determining the valuation of the investment in Hystead.</p> <p>Having determined the valuation of the Hystead financial asset, judgement was further applied to determine the portion of the valuation which should be deferred as a day-one gain.</p>	<p>The ARC reviewed the accounting treatment of Hystead and assessed the appropriateness of the accounting classification.</p>	<p>Having considered both management's and the external auditor's views on the classification and measurement of the investment in Hystead, the ARC concluded that the classification as a financial asset remained appropriate and the valuation was reasonable.</p>
4 Allowances for expected credit losses: Trade receivables	<p>Judgements were applied in determining the allowance for expected credit losses in respect of trade and other receivables.</p> <p>Assessments were made on a tenant-by-tenant basis, considering the circumstances of each tenant, including factors such as defaults on payment terms, known insolvency, the legal status of the accounts, rental discounts granted to tenants and payments received after the year end.</p> <p>The impact of Covid-19 on the economies in which the Group operates has had a negative effect on many of the Group's tenants' businesses and resulted in a significant increase in the expected credit losses.</p> <p>Security deposits held on behalf of tenants are not taken into account for purposes of calculating expected credit losses as these are retained to cover reinstatement and other obligations at the end of the lease.</p>	<p>The ARC reviewed the methodology applied by management to determine the allowance for expected credit losses, as well as the overall allowance for expected credit losses relative to the increase in the trade receivables at 30 June 2020.</p> <p>Cognisance was also taken of the rental discounts granted to tenants during the Covid-19 lockdown periods and the accrual for discounts which were agreed with tenants and processed after the year end reporting date.</p> <p>The ARC also considered the anticipated increase in business failures as a result of Covid-19, those tenants who had filed for business rescue, the slow pace at which tenants' businesses are recovering post the Covid-19 lockdowns and cash collections from tenants post the year end.</p>	<p>The ARC endorsed management's final allowance for expected credit losses, noting the increase over the prior year.</p>
5 Adoption of the going concern basis in preparing the financial statements	<p>Judgement was applied by management in preparing the financial statements on the going concern basis.</p>	<p>See detailed comments in the report below.</p>	<p>The ARC confirmed that it is appropriate to adopt the going concern basis in preparing the Company and Group financial statements.</p>

Although not significant to the current year's financial results, the ARC also considered the accounting treatment of the co-owned assets and joint operations (Canal Walk and The Glen), classification of the investment in AttAfrica as a joint venture following the change in the Group's shareholding in AttAfrica during the year, and the valuation and accounting treatment of the financial guarantees provided by the Company for borrowings of other Group companies.

Where appropriate, the ARC sought input and views from the external auditor and other experts in its efforts to continuously improve the quality of financial reporting and the integrated annual report.

Going concern, solvency and liquidity

The ARC confirmed that the Company and the Group have adequate resources to continue operating for the ensuing 12 months and that it is appropriate to adopt the going concern basis in preparing the Company and Group financial statements.

In assessing whether it is appropriate to adopt the going concern basis in preparing the Group financial statements, the ARC reviewed the solvency and liquidity tests undertaken by the Company at the time of declaring the interim distribution for the six-month period ended 31 December 2019, when contemplating the declaration of a final dividend for the year ended 30 June 2020 and the manner in which the distributions will be settled.

The solvency and liquidity tests include reviews of the Company's budget and cashflow forecasts, available cash balances, existing unutilised and new term loans and revolving credit facilities, and the Group's debt maturity profile at the time of performing the test. Cognisance was also taken of the current level of economic uncertainty as a result of Covid-19 and the board's deferral of its decision on the payment of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020 (as set out in the directors' report).

The ARC has reported on going concern to the board.

External auditor

The ARC has considered a report from KPMG motivating its independence and is satisfied with the independence of the external auditor. The ARC is also satisfied with the terms,

nature, scope and proposed fee of the external auditor for the year ended 30 June 2020.

The ARC has considered and is satisfied with the suitability of KPMG and the designated audit partner, Tracy Middlemiss, for their appointment as auditors in accordance with paragraphs 3.84(g)(iii) and 22.15(h) of the JSE Listings Requirements.

The ARC monitors the Group's policy on the provision of non-audit services by the Group's auditors. In this regard, the ARC approved:

- the appointment of KPMG Services Proprietary Limited to provide limited assurance reports for selected sustainability development indicators;
- the appointment of KPMG Nigeria to provide tax advisory services to Gruppo Investment Limited, a subsidiary of Hyprop, whose external auditor is Ernst & Young (Nigeria);
- the appointment of KPMG to provide limited assurance reports relating to mortgage bonds for bank facilities and bonds issued in terms of the Company's domestic medium-term note program.

Risk management, combined assurance framework and internal controls

The ARC reviewed the Group's policies on risk assessment and regularly monitors the combined assurance dashboard and risk matrix covering both operational and financial reporting risks and matters. Feedback and recommendations on actions to mitigate the identified risks are provided by the ARC.

The ARC further took note of the macro-economic risks emerging in South Africa and sub-Saharan Africa, which were compounded by the advent of Covid-19 globally. This required the ARC to devote additional attention to monitoring specific risks arising from these circumstances, particularly:

- the deteriorating economic conditions in South Africa and the impact these may have on investment property valuations;
- significant time and resources were dedicated to monitoring and managing the risk and impact of Covid-19 on the Group, and the operational and financial responses required to manage these risks. Weekly meetings were held with executive management throughout the Covid-19 lockdown periods to monitor these activities;

REPORT OF THE AUDIT AND RISK COMMITTEE *continued*

- following the devaluation of the Rand against the Euro and the Dollar between March 2020 and June 2020 and the potential risk of a reduction in the independent valuations of the Group's investment properties at 30 June 2020, the risk of the Group breaching the covenants in terms of its borrowing agreements increased; and
- the liquidity constraints experienced in the Nigerian foreign exchange market since January 2020 and the effect this has had on Ikeja City Mall's ability to service shareholder and bank borrowings.

Management's responses to these risks were noted and monitored on an ongoing basis.

The ARC relies on management, the external auditor, internal audit and the Group's independent ethics reporting telephone line to highlight any concerns, complaints or allegations relating to internal financial controls, the content of the financial statements and potential violations of the law or questionable business, accounting or auditing practices.

Separate meetings are also held with management, the external auditor and the internal auditor every quarter unless a greater frequency is requested.

Chief financial officer and financial reporting

The consolidated and separate financial statements have been audited in compliance with section 30 of the Companies

Act of South Africa. Brett Till CA(SA), chief financial officer, is responsible for this set of financial statements and has supervised the preparation thereof. The ARC is satisfied that the CFO has the necessary expertise and experience to carry out his duties, as required by paragraph 3.84(g)(i) of the JSE Listings Requirements.

The ARC is further satisfied that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively, as required by paragraph 3.84(g)(ii) of the JSE Listings Requirements.

Stakeholder reporting process

Concerns and complaints received from within or outside the Group relating to accounting practices and internal financial controls, and the content or auditing of the consolidated and separate financial statements, were considered by the ARC and dealt with as appropriate.

Recommendation of financial statements

The consolidated and separate financial statements are prepared by management, reviewed by the ARC and the board, and are audited by the external auditor. The ARC is satisfied with the consolidated and separate financial statements and the accounting policies used in their preparation and has recommended the consolidated and separate financial statements to the board for approval.



Thabo Mokgatlha
Audit and Risk committee chair

21 September 2020

Directors' report

for the year ended 30 June 2020

The directors have pleasure in submitting their report, which forms part of the consolidated financial statements for the year ended 30 June 2020.

Responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and Company financial statements of Hyprop, comprising the statements of financial position, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, as well as the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

In addition, the directors are responsible for the preparation of the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

Introduction and overview

Hyprop is a specialist shopping centre Real Estate Investment Trust (REIT) with interests in a R48.5 billion portfolio of shopping centres in South Africa, Eastern Europe and sub-Saharan Africa (excluding South Africa).

The portfolio in South Africa includes super regional centre Canal Walk, large regional centres Clearwater, The Glen, Woodlands, CapeGate, Somerset and Rosebank malls, regional centre Hyde Park Corner and value centre Atterbury Value Mart.

Hyprop's investments in South-Eastern Europe, held via a 60% interest in UK-based Hystead Limited (Hystead), include interests in Delta City in Belgrade, Serbia; Delta City in Podgorica, Montenegro; Skopje City Mall in Skopje, Macedonia; The Mall in Sofia, Bulgaria; City Center One East and City Center One West, both in Zagreb, Croatia.

The sub-Saharan African (excluding SA) portfolio includes interests in Ikeja City Mall in Lagos, Nigeria; Accra Mall and West Hills in Accra, Ghana; and Kumasi City Mall in Kumasi, Ghana.

Strategy

The Group's mission is to create environments and opportunities for people to connect and have authentic and meaningful experiences. This will be achieved by owning and managing tangible assets (dominant retail centres in mixed-use precincts in key economic nodes) and non-tangible assets.

The Group's operations are focussed on three strategic areas - the South African property portfolio, the Eastern European property portfolio and relevant non-tangible assets arising from the digital disruption which is transforming many traditional market sectors (including the retail and property sectors).

Notwithstanding the impact of Covid-19, each of the Group portfolio's long-term strategies to create sustainable returns for shareholders remain in place - i.e. to reposition the South African portfolio, to improve the dominance of the Eastern European portfolio and to implement the non-tangible asset strategy, through projects such as the new Soko District.

Other key priorities are to conclude the disposal of the sub-Saharan Africa investments and strengthen the Group's balance sheet.

From a financial perspective, the focus will be on generating a total return for shareholders through balanced growth in distributable income and net asset value, combined with conservative balance sheet management.

Covid-19

Since January 2020 the world has been gripped by the Covid-19 pandemic and the resultant economic and social consequences thereof.

Under the supervision of Hyprop's Risk Committee, Covid-19 task teams were established covering our South African, Eastern European and sub-Saharan Africa (excluding South Africa) operations to monitor and manage the unique risks and challenges presented by Covid-19, as well as to implement the relevant guidelines, protocols and preventative measures recommended by the World Health Organization, local health authorities and governments.

The health and safety of our staff, tenants and customers is our top priority and we worked in partnership with all of the stakeholders in our business to find solutions which would give all of us a chance to emerge from the Covid-19 challenges with our businesses intact. We will continue to work with our key stakeholders, particularly our tenants, to ensure we have functional malls and acceptable occupancy levels.

Covid-19 has had a significant effect on the Group's financial performance for the 2020 year and the recovery therefrom is expected to be slow.

DIRECTORS' REPORT *continued*

Subsidiaries, joint arrangements and joint ventures

Details of investments in subsidiaries, joint arrangements and joint ventures are included in notes E4 – *Investments in subsidiaries* and E5 – *Investments in joint arrangements* to the financial statements.

Performance review

Details of the Group and Company's financial performance for the year ended 30 June 2020 are set out in the attached financial statements.

The Group's net profit for the year decreased from R112 million in 2019 to a loss of R 3 523 million in 2020. Distributable income for the year decreased from R1 903 million in 2019 to R1 258 million in 2020 and the distributable income per share decreased by 34% from 744.9 cents to 493.4 cents.

The main reasons for the decrease in net profit for the year are:

- The impact of Covid-19 on the Group's operations, including a reduction in income during the lockdowns imposed in all countries where the Group operates;
- No dividends being declared by Hystead in the second half of the financial year;
- A decrease in the value of the Group's investment properties of R4.6 billion; and
- An impairment of the sub-Saharan Africa investments by R290 million.

Dividends declared

The following dividends were declared to shareholders during the year:

- On 31 August 2019 a final dividend of 359.3 cents per share in respect of the six-month period ended 30 June 2019.
- On 27 February 2020 an interim dividend of 308.7 cents per share in respect of the six-month period ended 31 December 2019.

Having regard to, inter alia, the challenging and unpredictable economic environment and the desire to reduce gearing levels, the board is of the view that the Company should retain as much cash as possible while continuing to meet applicable REIT minimum distribution requirements in terms of the JSE Listings Requirements.

The board is considering different options in regard to settlement of the interim distribution and declaration of a final distribution for the year ended 30 June 2020, having regard to the minimum REIT requirements. It has therefore resolved that it would be prudent to defer its decision on the settlement of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020, or an earlier date should more clarity emerge on the likely future economic environment.

Directorate and directors' interests

Directorate

The following changes to the board of directors occurred during the year:

- Annabel Dallamore joined the board as an Independent non-executive director with effect from 1 October 2019.
- Mike Lewin retired as a director at the Annual General Meeting held on 2 December 2019 and the board thanks him for his valuable contribution over the last 9 years. Pursuant to Mike Lewin's retirement, Nonyameko Mandindi was appointed as the chair of the Social and Ethics committee.
- Spiro Noussis joined the board as an Independent non-executive director with effect from 27 July 2020.

Directors who served during the financial year are as follows:

Independent non-executive Directors	Non-executive directors	Executive directors
GR Tipper (<i>Chairman</i>)	KM Ellerine	AW Nauta (<i>CIO</i>)
AA Dallamore	L Norval	BC Till (<i>CFO</i>)
Z Jasper		MC Wilken (<i>CEO</i>)
MJ Lewin		
N Mandindi		
TV Mokgatla		
S Shaw-Taylor		

Directors' interests in shares of the Company

The interests of the directors in the shares of the Company at 30 June 2020 were:

	30 June 2020			30 June 2019		
	Beneficial			Beneficial		
	Direct	Indirect	Total	Direct	Indirect	Total
Non-executive						
Gavin Tipper	13 500	-	13 500	9 000	-	9 000
Kevin Ellering	-	378 000	378 000	-	378 000	378 000
Nonyameko Mandindi	-	-	-	-	2 940	2 940
Stewart Shaw-Taylor	21 500	-	21 500	21 500	-	21 500
Executive						
AW Nauta ⁽¹⁾	45 222	-	45 222	26 754	-	26 754
BC Till ⁽¹⁾	44 110	1 200	45 310	18 927	1 200	20 127
MC Wilken ⁽¹⁾	91 233	44 170	135 403	43 190	670	43 860
	215 565	423 370	638 935	119 371	382 810	502 181

⁽¹⁾ Includes shares awarded under the Hyprop Employee Share Scheme.

There were no non-beneficial interests in either the current or prior years.

There have been no changes to the above interests between 30 June 2020 and the date of this report other than:

- MC Wilken was awarded 117 625 shares under the Hyprop Employee Share Scheme on 1 July 2020;
- AW Nauta was awarded 59 865 shares under the Hyprop Employee Share Scheme on 1 July 2020; and
- BC Till was awarded 62 824 shares under the Hyprop Employee Share Scheme on 1 July 2020.

Directors' interest in contracts

No material contracts in which the directors have an interest were entered into during the year, other than the transactions detailed in note J1 – *Related-party transactions and balances* to the financial statements.

Capital structure and borrowings

Share capital

Details of the Company's authorised and issued share capital are set out in note G1 – *Share capital and treasury shares* of the financial statements.

No ordinary shares were issued during the year.

There have been no changes to the authorised or issued share capital between year end and the date of this report.

Borrowings

The Company's borrowings are not limited by its Memorandum of Incorporation, however, in terms of the JSE Listings Requirements, a REIT's total consolidated borrowings may not

exceed 60% of its consolidated gross asset value, as reflected in its latest published financial statements or results. Should the 60% threshold be exceeded, Hyprop may lose its REIT status under the JSE rules.

Lowering the Group's LTV ratio below 35% (calculated on a fully consolidated basis) is a key priority. In the short-term, any cash retained from distributions will be used to reduce Rand and/or Euro denominated debt. The anticipated disposal of Ikeja City Mall and utilisation of the proceeds to reduce Dollar denominated debt will reduce the Group's LTV ratio further. The Group is also considering reducing distributions from Hystead and utilising this cash to settle Euro denominated debt.

Hyprop's loan-to-value (LTV) and interest cover ratios are set out in note H4 – *Covenants and capital management* to the financial statements. The Company complied with all of its borrowing covenants at 30 June 2020.

The majority of the Group's debt coming due in the next 12 months comprises \$172 million of debt relating to Hyprop's assets in sub-Saharan Africa (Hyprop Mauritius and Ikeja City Mall in Nigeria) and EUR49m of non-recourse (to Hyprop) in-country asset backed finance relating to Hystead Limited, which is due in March 2021. Subsequent to 30 June 2020, \$99 million of this Dollar denominated debt was settled. The remaining \$73 million will be settled on disposal of the Group's sub-Saharan Africa interests, or refinanced in either Rands or Dollars.

DIRECTORS' REPORT *continued*

In April 2020 Moody's Investor Services Inc (Moody's) lowered the Company's credit rating from Ba1 to Ba2. Concurrently, Moody's lowered the long-term national scale issuer rating to A1.za from Aa3.za and affirmed the short-term national scale rating of Prime-1.za.

The main reason cited by Moody's for the reduction in Hyprop's rating is the level of debt maturing in the short-term, in the context of a challenging operating environment, including the temporary closure of shopping centres as a result of the lockdown aimed at reducing the spread of coronavirus, and dislocated credit markets.

Following their credit rating action in April 2020, Moody's completed a 3-month review of Hyprop's credit rating in June 2020 and confirmed Hyprop's credit rating assigned in April 2020. The rating outlook was changed to "negative" from "under review for downgrade".

Moody's recognised that over the last twelve months Hyprop was able to refinance its debt, demonstrating good access to banking markets, and the progress made by Hyprop since April 2020 in refinancing the US Dollar and Rand denominated debt maturing over remainder of the 2020 calendar year, the additional R500 million of bank facilities that were raised, the R100 million raised through the DMTN Program and the progress being made to dispose of the Group's sub-Saharan Africa investments.

Moody's has withdrawn its rating of Hyprop as Hyprop has elected not to renew Moody's appointment given the significant levels of uncertainty in the local and global economies due to the impact of Covid-19, as well as the downgrade of South Africa's sovereign credit rating in March 2020. In terms of Hyprop's DMTN Program, Hyprop is not required to be rated by an independent rating agency. The Company will reconsider the appointment of a rating agency when local and global markets normalise.

Tax status

Hyprop is a REIT (Real Estate Investment Trust) in accordance with the South African Income Tax Act (the Act) and in terms of the JSE Listings Requirements.

In terms of section 25BB of the Act, the dividend declared to Hyprop shareholders is deductible against Hyprop's taxable income. As a consequence of this deduction, South African

income taxation is usually reduced to zero, and dividends received by South African Hyprop shareholders are free of any dividend withholding tax.

Acquisition and disposals

In July 2019, Hyprop Mauritius (50%) and AttAfrica (50%) disposed of their interests in Manda Hill Shopping Centre in Lusaka, Zambia for a net consideration of \$52 million.

In December 2019 the Company purchased the office building located at 17 Baker Street, Rosebank, Johannesburg for R44 million (8% initial yield).

Effective 1 January 2020, Hyprop Mauritius increased its holding in AttAfrica from 37.5% to 50%.

Subsequent to year end, the Group has reached agreement for the disposal of its interest in Ikeja City Mall in Lagos, Nigeria. The sale is subject to the fulfilment of certain conditions precedent.

Special resolutions

The following special resolutions were passed at the Company's annual general meeting held on 2 December 2019:

1. Resolved that the Company or any of its subsidiaries be and are hereby authorised by way of a general authority to acquire ordinary shares issued by the Company, in terms of sections 46 and 48 of the Companies Act, and subject to the relevant provisions of the JSE Listings Requirements.
2. The board of directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance, as contemplated in section 45 of the Companies Act, by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the Company for any purpose or in connection with any matter, such authority to endure for a period of not more than two years.

Administration and management

Property and asset management in Hyprop's South African operations are fully internalised. No property or asset management fees were paid to third parties during the year in South Africa.

Audit and Risk committee report

The report of the Audit and Risk committee is set out on pages 102 to 106 of the consolidated and separate annual financial statements.

The committee has fulfilled its responsibilities during the year, including having satisfied itself as to the independence of the external auditor and their suitability for reappointment for the ensuing year.

Auditor

KPMG Inc. was reappointed as auditor in accordance with part C of section 90 of the Companies Act of South Africa at the annual general meeting held on 2 December 2019. The external auditor's report to the shareholders on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework follows in the independent auditor's report.

Going concern

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis takes into account that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The Group's net asset value at 30 June 2020 was R19.3 billion and the Group had available cash of R835 million and undrawn revolving credit facilities of R500 million. Following the actions set out below, the Group's liquidity position remains strong.

At 30 June 2020 the Group's current liabilities exceeded its current assets by R2 128 million. The increase in current liabilities is due to loans maturing in less than one year

and the dividend declared to shareholders for the six months ended 31 December 2019 (the interim dividend) in February 2020.

Subsequent to 30 June 2020:

- the Company raised R450 million through a new 2 year, secured revolving credit facility;
- R2 148 million of the maturing loans have been settled from the proceeds of new term facilities and revolving credit facilities; and
- the board has resolved to defer its decision on the settlement of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020, or an earlier date should more clarity emerge on the likely future economic environment. See *Note 02-Events after the reporting date* for details of the financial statements.

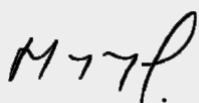
Accordingly, the directors consider that the Company and the Group have adequate resources to continue operating for the ensuing 12 months and that it is appropriate to adopt the going concern basis in preparing the Company and Group financial statements.

Trading statements

Hyprop uses dividend per share as the relevant measure of its financial results for trading statement purposes.

Approval of the consolidated financial statements

The financial statements of Hyprop Investments Limited, as identified in the first paragraph, were approved by the board of directors on 21 September 2020 and are signed on its behalf by:



GR Tipper
Chairman

Johannesburg
21 September 2020



MC Wilken
Chief executive officer



BC Till
Chief financial officer

Independent auditor's report

to the shareholders of Hyprop Investments Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Hyprop Investments Limited (the Group and Company) set out on pages 120 to 213, which comprise the statements of financial position as at 30 June 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hyprop Investments Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and

Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independent requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPACT OF COVID-19 - GROUP AND COMPANY

Refer to notes D1.1 *Revenue*, O1 *Going concern*, E1.7.3 *Investment property* valuation assumptions and E6.8 *Financial asset* valuation assumptions to the consolidated and separate financial statements.

Key audit matter	How this matter was addressed in our audit
<p>The Covid-19 pandemic is of an unprecedented scale and has severely impacted both the global and local economy and businesses across all industries. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that are required to be considered within the consolidated and separate financial statements.</p> <p>The areas within the Group and Company (collectively referred to as Hyprop) most impacted by Covid-19 include:</p> <p>Going concern: The Group's and Company's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating management's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern.</p> <p>As at 30 June 2020 the Group's current liabilities exceeded its current assets by R2 128 billion and the Company's current liabilities exceeded its current assets by R954 million. This basis is dependent on the Group and Company's ability to meet its liabilities as they fall due.</p> <p>The directors have determined that the use of the going concern basis of accounting is appropriate in preparing the consolidated and separate financial statements.</p> <p>Their assessment of going concern was based on the ability to raise new banking facilities and future cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.</p>	<p>Our audit response to these areas most impacted by Covid-19 is detailed below:</p> <p>Going concern: We evaluated whether management's going concern assessment appropriately considered the impact of Covid-19. We critically assessed the levels of uncertainty, as it related to the Group and Company's ability to continue as a going concern, within these assumptions and judgements. Our procedures included:</p> <ul style="list-style-type: none"> • Discussions with management on the impact on the Group's and Company's business and financial reporting processes. • Assessing the level of liquidity within the Group and Company to support ongoing requirements and the ability to refinance debt for at least 12 months after the date of approval of the financial statements. • Evaluating the reasonableness of management's future cash flow forecasts, which included stress testing the forecasts, and its impact on the Group and Company's capital and liquidity positions. • Verified whether, subsequent to year end, there had been loans defaults or covenant breaches. • Assessing the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.

INDEPENDENT AUDITOR'S REPORT *continued*

IMPACT OF COVID-19 - GROUP AND COMPANY *continued*

Key audit matter	How this matter was addressed in our audit
<p>Valuation of assets: The Group and Company's assets carried at fair value includes investment property and the investment in Hystead Limited, recognised as a financial asset. These asset values are based on future cash flows and risk adjusted discount factors and inputs.</p> <p>There is considerable uncertainty over the global economy and how long it will take before the economy is stabilised. This has introduced a level of uncertainty relating to projected future cash flows which affects the valuation of these assets resulting in special audit considerations.</p> <p>Rental income reliefs: Hyprop offered tenants rental discounts consisting of either a full or partial waiver of the payment of rent and/or the deferral of rental payments.</p> <p>In terms of IFRS 16, <i>Leases</i> (IFRS 16), these discounts resulted in the need to assess a lease modification which affects the straight-lining rental income accrual.</p> <p>The treatment of the rental discounts granted, which involves complex IFRS 16 adjustments, in addition to the volume of discounts granted, increased the likelihood and potential magnitude of misstatements in the reported results which resulted in special audit consideration to the rental income reliefs.</p> <p>Given the significant impact that Covid-19 has had on the current year reported results and the future implications, this was considered a key audit matter in our audit of the consolidated and separate financial statements.</p>	<p>Valuation of assets: Investment property valuations: We evaluated whether management's assumptions used in property valuations appropriately considered the impact of Covid-19. Our procedures included:</p> <ul style="list-style-type: none"> Challenging the external valuers outlook and assumptions used in the property valuations as a result of Covid-19 by comparing these inputs and assumptions to the latest industry benchmarks and available market information. This was done with the assistance of our valuation specialists. Assessing subsequent management information to consider if it supported the current view of a recovery used in the property valuations. Assessing the reasonability of the Covid-19 related adjustments made by management relating to expected occupancy rates and rental rates by corroborating management's forward looking lease schedule, which includes the latest rental relief provided to tenants, against approved lease agreements. Assessing the methodology, assumptions and data used to derive the fair values of the investment property to obtain evidence that they were based on conditions and events existing at 30 June 2020. <p>Investment in Hystead Limited (Hystead): We evaluated, with the assistance of our valuation specialists, whether management's assumptions used in the valuation of the Hystead investment appropriately considered the impact of Covid-19. Our procedures included:</p> <ul style="list-style-type: none"> Challenging the assumptions and methodology used in management's valuation. We also considered subsequent management information and corroborative evidence to assess if it supports managements cashflow forecasts and predicted recovery from Covid-19 as used in the valuation of the financial asset. Assessing, with the assistance of our corporate finance specialists, the reasonability of the discount rate used in the discounted cash flow analysis by recalculating an independent discount rate using available market information for similar properties in similar regions, and comparing it to management's discount rate. <p>Rental income reliefs: We evaluated whether management's treatment of rental discounts appropriately considered the requirements of IFRS 16 related to lease modifications. Our procedures included:</p> <ul style="list-style-type: none"> Evaluating, with the assistance of our technical accounting specialists, the accounting treatment of rental discounts, deferrals and extensions of lease periods in terms of the requirements of IFRS 16 lease modifications, as well as subsequent event considerations in terms of IAS 10, <i>Events after the reporting period</i> (IAS 10). Agreeing a sample of discounts granted to tenants to lease agreement addendums and recalculated the adjusted straight-lining rental income accrual.

VALUATION OF INVESTMENT PROPERTY - GROUP AND COMPANY

Refer to the accounting policies and the key assumptions and estimations in A1 and A2 and note E1 for the investment property note to the consolidated and separate financial statements.

Key audit matter	How this matter was addressed in our audit
<p>The Group's and Company's most significant asset is its investment property portfolio. Investment property is subsequently measured at fair value, with changes in fair value recognised in profit or loss.</p> <p>The Group and Company used external independent valuers to value the investment properties. The valuation process involves making significant assumptions and judgements. The key valuation assumptions are set out in note E1.7.3.</p> <p>The valuation also relies on the completeness and accuracy of the underlying lease and financial information provided to the valuers by management.</p> <p>Due to the magnitude of the investment property portfolio held and the significance of the judgements made in measuring the investment property at fair value, this matter was considered to be a key audit matter in our audit of the consolidated and separate financial statements.</p>	<p>Our response to the key audit matter included performing the following audit procedures, in addition to the procedures performed to specifically consider the impact of Covid-19 on the investment property:</p> <ul style="list-style-type: none"> • We evaluated the competence and objectivity of the external valuers. This assessment included but was not limited to assessing their professional qualifications, experience and independence from the Group and Company. • Through discussions with the external valuers, we obtained an understanding of the valuation process adopted, and the significant assumptions used, and critical judgements applied in the valuation process, including contracted revenue, vacancy levels and the initial and reversionary capitalisation rates. • The audit team challenged the assumptions used by the external valuers and assessed information provided to the external valuers by management to value the properties. The procedures included: <ul style="list-style-type: none"> ◦ Agreeing the forecasted cash flows to the contracted revenue through inspection of the relevant underlying lease contracts. ◦ Selecting a sample of tenants per mall and: <ul style="list-style-type: none"> – ensuring a lease contract exists for the tenant; and – agreeing the lease contract details to the population of lease information. • We agreed growth rates in the budget to the escalation rates in the lease contracts. • We assessed the reasonability of management's forecasts by comparing the forecasts to the current year actual results and corroborating any differences identified. • Our corporate finance specialist evaluated the valuations of a sample of investment properties, and challenged the underlying inputs to the valuations against industry benchmarks and available market information. • We considered the adequacy and completeness of the disclosures, in accordance with IAS 40, <i>Investment property</i> associated with investment property valuation.

INDEPENDENT AUDITOR'S REPORT *continued*

VALUATION OF INVESTMENT IN HYSTEAD LIMITED (HYSTEAD) - GROUP AND COMPANY

Refer to the accounting policies and the key assumptions and estimations in A2 and note E6 to the consolidated and separate financial statements.

Key audit matter	How this matter was addressed in our audit
<p>The Group and Company hold a portfolio of investment properties in South-Eastern Europe, through Hystead, that are funded in Euros with credit enhancement provided mainly by Hyprop (referred to as the Hystead structure).</p> <p>The Hystead structure and the rights and obligations in the contracts underlying that structure are complex.</p> <p>The valuation of the right to receive dividends and deferral of that right relies on the selection of the appropriate valuation models and judgements made about the key inputs to those models as set out in note E6.7.</p> <p>Due to the complexity of the Hystead structure and the significance of the judgements made in the related valuations, this matter was considered to be a key audit matter in our audit of the consolidated and separate financial statements.</p>	<p>Our response to the key audit matter included performing the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding from management on whether there had been any changes to the shareholders' agreement, funding agreements and other documents used to confirm our understanding of the Hystead structure. • With the assistance of our corporate finance specialist, we evaluated management's selection of the valuation model for the right to receive dividends, and the significant assumptions and judgements used in the valuation process. This included an assessment of the reasonability of the discount rates used. Our corporate finance specialists recalculated a range for the discount rates used, taking into account the specific risk profile of the properties and regions in which they operate and compared this to management's discount rates. • For a selection of key inputs to the valuation models, we compared the inputs used by management to available internal and external sources. • We evaluated the dividend forecasts and growth rates applied in terms of the underlying performance of Hystead. This included assessing Hystead's profit forecasts by challenging the assumptions used in the forecasts against lease escalation rates and industry growth rates. • We evaluated the adequacy of the disclosures, in accordance with IFRS 9, in respect of the unobservable inputs made by management in relation to the valuation of the investment in Hystead.

RECOVERABILITY OF ATTAFRICA SHAREHOLDER LOAN - GROUP

Refer to the accounting policies and the key assumptions and estimations in A2 and note F1 to the consolidated and separate financial statements.

Key audit matter	How this matter was addressed in our audit
<p>Hyprop's wholly owned subsidiary, Hyprop Mauritius Investments Limited (Hyprop MU), has an equity interest of 50% in AttAfrica Limited (AttAfrica) which is based in Mauritius. The interest is equity accounted in the consolidated financial statements. Hyprop MU has advanced a loan of \$185 million to AttAfrica which is governed by a shareholder loan agreement. The loan is interest bearing. The loan is recognised at amortised cost in terms of IFRS 9, <i>Financial Instruments</i> (IFRS 9). Loan receivable is assessed for recoverability on an individual basis.</p> <p>Significant judgements, and assumptions have been applied by management to:</p> <ul style="list-style-type: none"> • Determine if the loan or advance is credit impaired; • Evaluate the adequacy and recoverability of the underlying companies and properties held by AttAfrica and the costs likely to be incurred in order to realise these assets; and • Evaluate the future performance of the underlying instruments to ensure forward looking credit losses are accounted for appropriately and in terms of IFRS 9. <p>Due to the significant judgements applied in estimating the recoverability of this loan, this matter was considered to be a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our response to the key audit matter included the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding from management whether there had been any changes to the shareholder loan agreement from the prior year in respect of the AttAfrica loan. • We evaluated management's assessment of the recoverability of the exposure and underlying assets with reference to current economic performance by independently assessing the reasonability of assumptions and judgements made by management. This included: <ul style="list-style-type: none"> o Assessing the reasonableness of the fair values of each of the underlying assets and liabilities in AttAfrica which can be recovered through the sale of shares of the investment holding Company at the loan expiry date by incorporating forward looking information where possible. This included: <ol style="list-style-type: none"> (i) An assessment of the appropriateness of the fair values of investment properties held through assessment of the external valuations obtained. We considered the competence and objectivity of the external valuers and the appropriateness of the valuation methodology used to value the properties taking into account the manner in which they're expected to be recovered. (ii) An assessment of the costs expected to be incurred in order to realise the assets through inspection and corroboration of existing agreements in place and management's estimates of future costs. • We evaluated the adequacy of the disclosures made about significant judgements made by management in relation to the recoverability of the loan in accordance with IFRS 9.

INDEPENDENT AUDITOR'S REPORT *continued*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Hyprop Investments Limited and its subsidiaries Consolidated and Separate Financial Statements - for the year ended 30 June 2020", which includes the Audit and Risk committee's report, Directors' Report, and Declaration by the Company secretary as required by the Companies Act of South Africa which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Hyprop Investments Limited for five years.

Tracy Middlemiss

KPMG Inc.

**Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director**

21 September 2020



Cradock Heights, Rosebank, South Africa

Statements of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Note	Group		Company	
		30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Revenue	D1.1.2	3 102 342	3 217 848	2 890 220	3 003 847
Rental and other lease income		2 261 122	2 567 150	2 078 213	2 372 402
Straight-line rental income accrual		118 286	(87 887)	125 927	(81 399)
Recoveries		722 934	738 585	686 080	712 844
Impairment of trade receivables		(77 682)	(47 052)	(35 786)	(23 712)
Property expenses	D2.1	(1 139 721)	(1 132 002)	(1 069 565)	(1 068 708)
Net property income		1 884 939	2 038 794	1 784 869	1 911 427
Net other operating expenses	D2.2	(68 259)	(41 600)	(59 246)	(40 526)
Other operating income		20 871	30 828	28 677	30 828
Other operating expenses		(89 130)	(72 428)	(87 923)	(71 354)
Operating income		1 816 680	1 997 194	1 725 623	1 870 901
Net interest	D4.1	(548 395)	(461 155)	(353 382)	(236 105)
Interest income		88 997	156 043	58 751	77 152
Interest expense		(637 392)	(617 198)	(412 133)	(313 257)
Net operating income		1 268 285	1 536 039	1 372 241	1 634 796
Guarantee fee income	H3.3.2	22 111	40 542	22 111	40 542
Dividends received	D5.1	120 630	221 190	120 630	221 190
Net income before fair value adjustments		1 411 026	1 797 771	1 514 982	1 896 528
Changes in fair value		(4 636 928)	(587 083)	(4 171 725)	(310 651)
Investment property	E1.5	(4 668 419)	(337 238)	(4 277 145)	(158 832)
Financial guarantees	H3.6	(16 665)	-	54 497	(16 294)
Other investments	F4	(45 172)	(12 705)	(45 172)	(12 705)
Loans receivable at FVTPL	F1.7	-	(105 809)	-	-
Financial asset	E6.4	314 528	(85 229)	314 528	(85 229)
Derivative instruments	H2	(221 200)	(46 102)	(218 433)	(37 591)
Profit on disposal of investment property		-	2 825	-	2 825
Impairment of loans receivable	F1.6	(289 974)	(1 350 727)	(44 620)	(1 485 389)
Impairment of investment in subsidiary	E4.4	-	-	(398 020)	-
Other impairments		-	(29 964)	-	-
Derecognition of financial guarantees		-	185 686	-	218 779
(Loss)/Profit before taxation		(3 515 876)	18 508	(3 099 383)	322 092
Taxation	D6.3	(7 150)	93 028	(7 637)	(1 730)
(Loss)/Profit for the year		(3 523 026)	111 536	(3 107 020)	320 362
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss (net of taxation)		22 718	(44 094)	-	-
Exchange differences on translation of foreign operations		16 217	(46 959)	-	-
Exchange differences on translation of foreign operations: Non-controlling interest		6 501	2 865	-	-
Total comprehensive (loss)/income for the year		(3 500 308)	67 442	(3 107 020)	320 362
Total (loss)/profit for the year attributable to shareholders of the Company		(3 401 849)	164 922	(3 107 020)	320 362
Total (loss)/profit for the year attributable to non-controlling interest		(121 177)	(53 386)	-	-
(Loss)/Profit for the year		(3 523 026)	111 536	(3 107 020)	320 362
Total comprehensive (loss)/income for the year attributable to shareholders of the Company		(3 385 632)	117 963	(3 107 020)	320 362
Total comprehensive (loss)/income for the year attributable to non-controlling interest		(114 676)	(50 521)	-	-
Total comprehensive (loss)/income for the year		(3 500 308)	67 442	(3 107 020)	320 362
Basic earnings per share (cents)	B2.3	(1 332.4)	64.5	(1 214.2)	125.2
Fully diluted earnings per share (cents)	B2.3	(1 331.5)	64.5	(1 213.4)	125.1

Statements of financial position

for the year ended 30 June 2020

		Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Note					
Assets					
Non-current assets		25 190 146	28 876 436	25 977 518	29 688 303
Investment property	E1.4	23 874 363	28 027 321	23 874 363	28 027 321
Straight-line rental income accrual	E1.9	574 845	448 917	574 845	448 917
Property, plant and equipment	E2.2	206 236	162 288	206 236	162 288
Investments in subsidiaries	E4.3	-	-	758 264	758 264
Investment in joint ventures	E5.5.1	1 730	-	1 730	-
Financial asset	E6	532 972	218 444	532 972	218 444
Loans receivable	F1.3	-	18 847	29 108	72 450
Derivatives	H2.3	-	619	-	619
Current assets		1 670 640	2 729 289	903 137	1 169 637
Loans receivable	F1.3	681 215	1 333 106	22 759	-
Taxation		-	2 530	-	-
Trade and other receivables	F2.3	154 548	105 625	154 016	104 534
Derivatives	H2.3	-	2 691	-	2 691
Cash and cash equivalents	F3.2	834 877	1 285 337	726 362	1 062 412
Assets classified as held-for-sale	E7.3	2 098 918	2 047 847	-	-
Total assets		28 959 704	33 653 572	26 880 655	30 857 940
Equity and liabilities					
Equity and reserves		19 271 458	24 491 805	19 732 018	24 540 621
Equity and reserves attributable to shareholders of the Company		19 346 335	24 452 006	19 732 018	24 540 621
Stated capital	G1.2	8 387 031	8 407 395	8 462 327	8 462 327
Non-distributable reserves	G2.2	10 313 904	15 018 383	10 627 549	15 111 577
Share-based payment reserve	K2.3	25 605	20 286	25 605	20 286
Retained income		637 413	1 039 777	616 537	946 431
Currency translation reserve		(17 618)	(33 835)	-	-
Non-controlling interest		(74 877)	39 799	-	-
Liabilities					
Non-current liabilities		4 530 116	6 578 987	5 291 240	4 854 302
Borrowings	H1.2	4 074 183	6 320 801	4 835 307	4 410 909
Financial guarantees	H3.4	127 066	110 401	127 066	296 424
Derivatives	H2.3	233 669	60 224	233 669	59 408
Deferred taxation	I1.3	95 198	87 561	95 198	87 561
Current liabilities		3 798 914	1 484 480	1 857 397	1 463 017
Borrowings	H1.2	2 463 877	1 008 000	425 000	1 008 000
Financial guarantees	H3.5	-	-	114 861	-
Trade and other payables	I2.2	494 710	469 141	479 305	447 691
Dividend payable	I3.1	788 347	-	790 041	-
Derivatives	H2.3	51 980	7 339	48 190	7 326
Liabilities associated with assets classified as held-for-sale	E7.3	1 359 216	1 098 300	-	-
Total liabilities		9 688 246	9 161 767	7 148 637	6 317 319
Total equity and liabilities		28 959 704	33 653 572	26 880 655	30 857 940

Statements of changes in equity

for the year ended 30 June 2020

Group	Stated capital R'000	Non-distributable reserve (NDR) R'000	Share-based payment reserve (SBPR) R'000	Retained income/ (accumulated loss) R'000	Currency translation reserve R'000	Equity and reserves attributable to shareholders of the Company R'000	Non-controlling interest (NCI) R'000	Total equity R'000
Balance at 30 June 2018	8 418 904	16 841 038	27 443	1 004 408	13 124	26 304 917	90 320	26 395 237
Opening retained income adjustment ⁽¹⁾	-	-	-	1 806	-	1 806	-	1 806
Total comprehensive income	-	-	-	164 922	(46 959)	117 963	(50 521)	67 442
Profit for the year	-	-	-	164 922	-	164 922	(53 386)	111 536
Other comprehensive income for the year	-	-	-	-	(46 959)	(46 959)	2 865	(44 094)
Transactions with shareholders of the Company - contributions and distributions	(11 509)	(1 822 655)	(7 157)	(131 359)	-	(1 972 680)	-	(1 972 680)
Vesting of shares	6 060	-	(8 513)	2 453	-	-	-	-
Forfeit of shares	-	-	(9 009)	-	-	(9 009)	-	(9 009)
Treasury shares purchased	(17 569)	-	-	-	-	(17 569)	-	(17 569)
Share-based payment expense	-	-	10 365	-	-	10 365	-	10 365
Dividends declared and paid	-	-	-	(1 956 467)	-	(1 956 467)	-	(1 956 467)
Net transfer from non-distributable reserve	-	(1 822 655)	-	1 822 655	-	-	-	-
Balance at 30 June 2019	8 407 395	15 018 383	20 286	1 039 777	(33 835)	24 452 006	39 799	24 491 805
Total comprehensive (loss)/income	-	-	-	(3 401 849)	16 217	(3 385 632)	(114 676)	(3 500 308)
Loss for the year	-	-	-	(3 401 849)	-	(3 401 849)	(121 177)	(3 523 026)
Other comprehensive income for the year	-	-	-	-	16 217	16 217	6 501	22 718
Transactions with shareholders of the Company - contributions and distributions	(20 364)	(4 704 479)	5 319	2 999 485	-	(1 720 039)	-	(1 720 039)
Vesting of shares	5 655	-	(6 476)	821	-	-	-	-
Forfeit of shares	-	-	(2 208)	-	-	(2 208)	-	(2 208)
Treasury shares purchased	(26 019)	-	-	-	-	(26 019)	-	(26 019)
Share-based payment expense	-	-	14 003	-	-	14 003	-	14 003
Dividends declared	-	-	-	(1 705 815)	-	(1 705 815)	-	(1 705 815)
Net transfer from non-distributable reserve	-	(4 704 479)	-	4 704 479	-	-	-	-
Balance at 30 June 2020	8 387 031	10 313 904	25 605	637 413	(17 618)	19 346 335	(74 877)	19 271 458

Note

G1.2

G2.2

K2.3

⁽¹⁾ In 2019, the opening retained income was adjusted by a reversal of the share-based payment provision due to the non-achievement of the share price element of Tranche 3 performance shares which vested during the 2019 financial year.

Company	Stated capital R'000	Non- distributable reserve R'000	Share-based payment reserve R'000	Retained income/ (accumulated loss) R'000	Total equity R'000
Balance at 30 June 2018	8 462 327	16 769 141	27 443	925 237	26 184 148
Opening retained income adjustment ⁽¹⁾	-	-	-	1 806	1 806
Total comprehensive income	-	-	-	320 362	320 362
Profit for the year	-	-	-	320 362	320 362
Other comprehensive income for the year	-	-	-	-	-
Transactions with shareholders of the Company - contributions and distributions	-	(1 657 564)	(7 157)	(300 974)	(1 965 695)
Vesting of shares	-	-	(8 513)	1 090	(7 423)
Forfeit of shares	-	-	(9 009)	-	(9 009)
Share-based payment expense	-	-	10 365	-	10 365
Dividends declared and paid	-	-	-	(1 959 628)	(1 959 628)
Net transfer from non-distributable reserve	-	(1 657 564)	-	1 657 564	-
Balance at 30 June 2019	8 462 327	15 111 577	20 286	946 431	24 540 621
Total comprehensive loss	-	-	-	(3 107 020)	(3 107 020)
Loss for the year	-	-	-	(3 107 020)	(3 107 020)
Other comprehensive income for the year	-	-	-	-	-
Transactions with shareholders of the Company - contributions and distributions	-	(4 484 028)	5 319	2 777 126	(1 701 583)
Vesting of shares	-	-	(6 476)	2 670	(3 806)
Forfeit of shares	-	-	(2 208)	-	(2 208)
Share-based payment expense	-	-	14 003	-	14 003
Dividends declared	-	-	-	(1 709 572)	(1 709 572)
Net transfer from non-distributable reserve	-	(4 484 028)	-	4 484 028	-
Balance at 30 June 2020	8 462 327	10 627 549	25 605	616 537	19 732 018
Note	G1.2	G2.2	K2.3		

⁽¹⁾ In 2019, the opening retained income was adjusted by a reversal of the share-based payment provision due to the non-achievement of the share price element of Tranche 3 performance shares which vested during the 2019 financial year.

Statements of cash flows

for the year ended 30 June 2020

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Net cash flows from operating activities		316 711	(186 730)	315 388	(142 102)
Cash generated from operations	N1	1 733 439	2 149 932	1 612 127	2 034 024
Interest received		84 961	174 128	57 128	77 152
Interest paid		(587 807)	(550 115)	(434 336)	(293 650)
Taxation paid	N2.1	3 586	(4 208)	-	-
Cash flows from operating activities before distributions		1 234 179	1 769 737	1 234 919	1 817 526
Dividends paid	N2.3	(917 468)	(1 956 467)	(919 531)	(1 959 628)
Net cash flows from investing activities		509 127	567 235	(491 400)	(1 159 509)
Acquisition of and additions to investment property	E1.5	(140 896)	(95 064)	(140 629)	(94 670)
Additions to property, plant and equipment	E2.3	(83 695)	(45 051)	(71 379)	(43 457)
Proceeds on disposal of assets classified as held-for-sale		-	201 437	-	201 437
Increase in investment in subsidiary	E4.4	-	-	(398 020)	-
Increase in investment in joint venture	E5.5.1	(1 730)	-	(1 730)	-
Advances of shareholder loans receivable	F1.5	-	-	-	(1 486 633)
Loans receivable repaid	F1.5	669 396	224 517	-	-
Loans receivable advanced	F1.5	(70 856)	-	(16 550)	(17 582)
Dividends received	N2.2	136 908	281 396	136 908	281 396
Net cash flows from financing activities		(1 248 006)	275 645	(160 038)	1 708 078
Loans repaid	H1.3	(2 469 969)	(1 414 851)	(1 408 020)	-
Loans raised	H1.3	1 247 982	1 708 078	1 247 982	1 708 078
Purchase of Hyprop shares by Hyprop Share Scheme	G1.2	(26 019)	(17 582)	-	-
Net (decrease)/increase in cash and cash equivalents		(422 168)	656 150	(336 050)	406 467
Cash and cash equivalents at the beginning of the year		1 285 337	715 493	1 062 412	655 789
Effects of changes in exchange rates		(28 137)	(44 950)	-	-
Cash and cash equivalents transferred (to)/from assets classified as held-for-sale		(155)	(41 356)	-	156
Cash and cash equivalents at the end of the year	F3.2	834 877	1 285 337	726 362	1 062 412

Notes to the consolidated and separate financial statements

for the year ended 30 June 2020

A. ACCOUNTING POLICIES

A1 SIGNIFICANT ACCOUNTING POLICIES

A1.1 Statement of compliance

Hyprop Investments Limited is a listed REIT, incorporated in South Africa whose registered office is 2nd Floor Cradock Heights, 21 Cradock Avenue, Rosebank, 2196. Hyprop owns and manages retail and office investment properties in South Africa, Eastern Europe and sub-Saharan Africa.

These consolidated and separate financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

A1.2 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the measurement of investment properties, investment property classified as held-for-sale and certain financial instruments which are recorded at fair value, and incorporate the significant accounting policies set out below and in the individual notes to the financial statements.

All accounting policies applied in the preparation of these consolidated and separate financial statements are consistent with those applied in the consolidated and separate financial statements for the year ended 30 June 2019, save as disclosed in note A3 - *Changes in accounting policies and disclosures*.

The financial information presented in the consolidated and separate financial statements comprises that of the parent Company, Hyprop Investments Limited, together with its subsidiaries, including consolidated joint operations and joint ventures, presented as a single entity (the Group).

All values are presented in South African Rand, the functional currency of Hyprop Investments Limited, and are rounded to the nearest thousand Rand, unless indicated otherwise.

A1.3 Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Group. Control is achieved when the Group:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that one or more of the elements listed above have changed during the year.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal, as applicable.

A. ACCOUNTING POLICIES *continued***A1. SIGNIFICANT ACCOUNTING POLICIES** *continued***A1.3 BASIS OF CONSOLIDATION** *continued*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

All intergroup transactions, unrealised profits and balances between group entities are eliminated on consolidation.

A1.4 Non-controlling interests

Non-controlling interests are measured at the proportionate share of the non-controlling shareholders' interest in the identifiable net assets of the relevant entity at the acquisition date, and adjusted in the same proportion for the profit or loss at each reporting date.

A2 KEY JUDGEMENTS AND ESTIMATIONS**A2.1 Policy choices**

The following significant accounting policy elections have been made by the Group (excluding elections applied as transitional arrangements on adoption of new or amended reporting standards):

Item	Option	Policy choice and impact	Note
Investment property	IAS 40: <i>Investment property</i> allows a choice between the fair value model and the cost model in recording investment property. The choice is made at a portfolio level.	The Group continues to apply the fair value model for all investment properties.	E1
Financial instruments - equity investments	IFRS 9: <i>Financial instruments</i> require all equity investments within their scope to be measured at FVTPL except where the entity has elected to present changes in fair value in OCI. There is no cost exception for unquoted equities.	The Group has elected to recognise fair value changes in equity investments through profit or loss.	L1
Investments in subsidiaries, joint operations and associates	In terms of IAS 27: <i>Consolidated and separate financial statements, investments in subsidiaries, associates and joint arrangements</i> can be accounted for in the separate financial statements either at: cost; or at fair value in accordance with IFRS 9; or using the equity method as described in IAS 28: <i>Investments in associates and joint ventures</i> .	The Group has elected to recognise these investments at cost in the separate financial statements.	E4 and E5

A2.2 Remaining accounting policies

Accounting policies for specific items in the financial statements are included in the relevant note to the financial statements.

Assumptions and estimates are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's income, expenses, assets and liabilities. Judgement in these areas is based on historical experience and reasonable expectations relating to future events.

Estimates, assumptions and judgements are applied in the following areas:

Item	Nature of judgement or estimation	Note
Investment property valuations	<p>The valuation of investment properties requires judgement in the determination of, inter alia, future cash flows, appropriate discount rates and capitalisation rates.</p> <p>The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic”, has impacted global financial markets. Market activity has been impacted in many sectors and therefore less weight has been attached to market evidence for comparative purposes to inform opinions of the values. Given the unknown future impact that Covid-19 might have on the real estate market, less certainty should be attached to the valuations.</p>	E1
Classification as an associate or joint venture: AttAfrica	<p>Management has considered whether the investment in AttAfrica should be classified as a joint venture or an associate. Each of the two shareholders in AttAfrica (one of which is Hyprop Mauritius) have a 50% (2019: 37.5%) shareholding in AttAfrica. Based on the shareholders agreement (concluded during the 2020 financial year), decisions regarding the relevant activities need to be agreed to by both shareholders in respect of their shareholding. Accordingly, Hyprop concluded that Hyprop Mauritius has joint control of AttAfrica.</p>	E5
Interests in co-owned assets/ joint operations: Canal Walk The Glen	<p>Judgement is required to identify the relevant activities of the co-owned assets. Interests in co-owned assets are categorised as interests in joint operations as there is shared control of the co-owned assets. In terms of the co-ownership agreements for Canal Walk and The Glen, material capital expenditure requires mutual consent of the co-owners. In view of the significant increases in development costs, most capital expenditure that is undertaken is material, and accordingly, these centres are not considered to be solely controlled by Hyprop.</p> <p>The interests in these centres are treated as joint operations.</p>	E5
Recovery of loans receivable and investment in AttAfrica: AttAfrica	<p>The underlying investment properties in the Group's sub-Saharan African (excluding South Africa) portfolio have been negatively affected by the economic conditions of recent years and are producing lower investment returns than anticipated. In addition, during the 2019 financial year the Group reviewed its strategy resulting in a revised three-year strategic plan. This led to a decision to exit the Group's sub-Saharan African investments.</p> <p>The outbreak of Covid-19 in the current financial year has impacted the real estate market globally and resulted in a decrease in the valuation of the underlying property assets of AttAfrica. The decrease in the NAV of AttAfrica impacted the already credit impaired (stage 3) loan receivable.</p> <p>The ordinary and preference shares in, and shareholder loan to AttAfrica, which reflect Hyprop's share of the value of the underlying property investments at Group level, have therefore been impaired.</p> <p>Key estimates and judgements made in determining the expected credit losses are as follows:</p> <ul style="list-style-type: none"> - The decision to sell the underlying investments - The anticipated market values at which the companies/properties may be sold - The costs likely to be incurred in order to sell the companies/properties - The conversion of loans receivable to preference shares in AttAfrica during the year - The expected realisation date of the loans - The expected performance of the underlying investments - The probability of the loans being restructured/refinanced beyond the current maturity dates. <p>In calculating the recoverable amount, no probability-weighted outcomes are used as the directors have assumed a 100% loss given default on the calculated shortfall.</p>	F1

A. ACCOUNTING POLICIES *continued***A2. KEY JUDGEMENTS AND ESTIMATIONS** *continued*

Item	Nature of judgement or estimation	Note
Control over an investee: Hystead	<p>Management assessed whether it has control over Hystead based on the suite of agreements which govern the relationship between the shareholders of Hystead.</p> <p>Due to the strategic nature of the reserved matters, requiring approval by shareholders holding shares representing at least 75% of the total issued share capital of Hystead, Hyprop concluded that the Company does not have control over Hystead.</p>	E6
Classification as an equity-accounted investment or financial instrument: Hystead	<p>Management has considered whether the investment in Hystead should be classified as a joint venture and be equity-accounted, or based on the contractual right to receive dividends as a result of the provisions of the Hystead shareholders' agreement, should be classified as a financial asset.</p> <p>Based on the provisions of the suite of agreements which govern the relationship between the shareholders of Hystead, Hystead has a contractual obligation to pay all of its distributable income as a dividend to its shareholders each year. Accordingly, Hyprop accounts for the investment in Hystead as a financial asset.</p> <p>Management reassessed the classification and accounting treatment of the investment in Hystead and concluded that the classification as a financial asset remains appropriate.</p>	E6
Valuation of financial asset and deferral of day-one gain: Hystead	<p>The fair value of the right to receive dividends from Hystead has been valued based on the present value of anticipated future cash flows (dividends).</p> <p>The valuation method includes assumptions derived from unobservable inputs. Management has therefore determined that the day-one gain should be deferred. However, the fair value movement subsequent to that date should be taken through profit or loss.</p>	E6
Financial guarantees: Hystead and Hyprop Mauritius	<p>The financial guarantees are valued at the higher of the IFRS 9 expected credit loss (ECL) allowance or the initial fair value.</p> <p>The valuation of the guarantees includes assumptions on credit default rates, credit risks, credit ratings and expected credit losses. The ECL model includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor for each underlying borrower.</p> <p>All guaranteed loans are term loans with only interest being serviced quarterly. The capital is repayable at the end of the loan term.</p>	H3
Allowances for expected credit losses: Trade receivables	<p>Trade receivables have been assessed for impairment based on lifetime expected credit losses using the simplified approach permitted by IFRS 9. An estimate is made of credit losses based on a review of all outstanding amounts at year end.</p> <p>The expected credit losses are based on the payment profiles of trade receivables over a 24 month period and take into account the known financial circumstances of each tenant. The expected losses are adjusted for macroeconomic conditions which may affect the tenants' ability to pay as well as tenant-specific factors including:</p> <ul style="list-style-type: none"> - historical defaults on payment terms, - known insolvency and - the legal status of the receivables. <p>The impact of Covid-19 on the economies in which the Group operated has had a negative effect on many of the Group's tenants' businesses and resulted in a significant increase in the expected credit losses. Forward-looking information on economic and industry factors such as industry outlook, employment, trading conditions, Covid-19 related restrictions and lockdowns and GDP informs the probability of default going forward.</p>	F2.2

Item	Nature of judgement or estimation	Note
Investment in Edcon	<p>In April 2020 Edcon filed for business rescue citing the loss of revenue due to Covid-19 as the main reason. The business rescue practitioners' plan was approved by the creditors of Edcon on 22 June 2020.</p> <p>The plan is based on a successful sale of the remaining Edcon brands, which process is ongoing. Depending on the proceeds realised through the sale of the Edcon brands, holders of the Tranche C mandatory convertible instruments and A class ordinary shares in Edcon (which includes Hyprop) may receive a liquidation distribution from Edcon.</p> <p>The directors consider it prudent to adjust the fair value of the Group's investment in Edcon to zero until there is tangible evidence of any liquidation distribution or other recovery of this investment.</p>	F4
Taxation	<p>The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.</p> <p>A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.</p> <p>The Group recognises liabilities for anticipated tax obligations based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.</p> <p>The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.</p>	I1

A. ACCOUNTING POLICIES *continued***A3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES****New and amended IFRS Standards that are effective for the current year****IFRS 16: Leases**

With effect from 1 July 2019, the Group has applied IFRS 16 (as issued by the IASB in January 2016) which is effective for annual periods that begin on or after 1 January 2019. The Group applied IFRS 16.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between an operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on "risks and rewards" in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 July 2019. The new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases, and accounts for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular, with regard to how a lessor manages the risks arising from its residual interest in leased assets.

IFRS 16: *Leases* contains detailed guidance on how to account for lease modifications. A lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. A lease modification includes adding or terminating the right to use one or more of the underlying assets, or extending or shortening the contractual lease term. Therefore, the Group has reassessed those leases affected by modifications of the consideration or the lease term due to Covid-19.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The Group applied the amendment with effect from 1 July 2019.

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied.

These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

IFRIC 23: Uncertainty over income tax treatments

The Group has adopted IFRIC 23 for the first time in the current year. The Group applied the amendment with effect from 1 July 2019.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The interpretation requires the Group to:

- a) determine whether uncertain tax positions are assessed separately or as a Group; and
- b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The adoption of the new accounting standards set out above did not have a material effect on the consolidated or separate financial statements.

A4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of approval of these consolidated and separate financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective. These have not been early adopted by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

Information on new standards, amendments and interpretations that are expected to be relevant to the consolidated and separate financial statements is provided below.

(i) Standards expected to have a material impact, which are not yet effective (impact assessed):

There are no standards in this category.

(ii) Standards expected to have a material impact, which are not yet effective (impact not assessed):

There are no standards in this category.

(iii) Standards expected to have an immaterial impact, which are not yet effective:

A. ACCOUNTING POLICIES *continued***A4. STANDARDS ISSUED BUT NOT YET EFFECTIVE** *continued***Amendments to IFRS 3: Business Combinations**

The amendments narrow and clarify the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments are effective for the Group from 1 July 2020 and will be applied prospectively to future business combinations.

Amendments to IAS 1 and IAS 8 - Definition of material

The amendments clarify and align the definition of “materiality” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term “material” to ensure consistency.

The amendments are effective for the Group from 1 July 2020 and will be applied prospectively.

Amendments to IAS 1: Presentation of financial statements

The amendments provide guidance on the classification of liabilities as current or non-current in the statement of financial position and do not impact the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in place at the end of the reporting period which enable the reporting entity to defer settlement by at least twelve months and also make it explicit that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are effective for the Group from 1 July 2023, will be applied retrospectively and are not expected to significantly impact the Group.

Amendments to references to the conceptual framework in IFRS standards

Together with the revised conceptual framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to references to the conceptual framework in IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised conceptual framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

B. PERFORMANCE ANALYSES

B1 DIVIDEND PER SHARE

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Dividends declared/paid				
Total dividends declared ⁽¹⁾	1 705 815	1 956 467	1 709 572	1 959 628
Interim dividend in respect of the six months ended 31 December 2019 (31 December 2018) ⁽²⁾	788 348	985 139	790 041	986 603
Final dividend in respect of the six months ended 30 June 2019 (30 June 2018)	917 467	971 328	919 531	973 025
Total dividend per share declared (cents)	668.0	765.8	668.0	765.8
Dividend declared in February 2020/February 2019	308.7	385.6	308.7	385.6
Dividend declared in August 2019/August 2018	359.3	380.2	359.3	380.2

⁽¹⁾ This amount is reflected in the statement of changes in equity

⁽²⁾ Refer to note 13 - Dividend payable

	Group and Company	
	June 2020 Cents	June 2019 Cents
Distributable income per share for the year	493.4	744.9
Six months ended 30 June	157.8	359.3
Six months ended 31 December	335.6	385.6

B2 EARNINGS PER SHARE

Earnings – The calculation of basic and headline earnings per share is based on the total profit attributable to shareholders of the Company, adjusted as shown in the reconciliation below.

Number of shares – The weighted average number of ordinary shares in issue is based on the actual number of ordinary shares in issue adjusted for the treasury shares held by the Group and has been used to calculate basic earnings per share and headline earnings per share.

Diluted number of shares – The fully diluted weighted average number of ordinary shares in issue is calculated after taking into account the effect of all potentially dilutive shares which may be issued under the Hyprop Share Scheme.

B2.1 Earnings reconciliation - basic to headline earnings

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
(Loss)/profit for the year attributable to shareholders of the Company (basic earnings)		(3 401 849)	164 922	(3 107 020)	320 362
Headline earnings adjustments		4 450 404	406 040	4 151 218	237 406
Change in fair value of investment property	E1.5	4 550 133	425 125	4 151 218	240 231
Non-controlling interests share of change in fair value of investment property		(99 729)	(46 224)	-	-
Profit on disposal of investment property		-	(2 825)	-	(2 825)
Other impairments		-	29 964	-	-
Headline earnings		1 048 555	570 962	1 044 198	557 768

B. PERFORMANCE ANALYSES *continued***B2. EARNINGS PER SHARE** *continued***B2.2 Weighted average number of ordinary shares**

	June 2020 Number of shares	June 2019 Number of shares	June 2020 Number of shares	June 2019 Number of shares
Shares in issue at the end of the year	255 894 516	255 894 516	255 894 516	255 894 516
Issued shares at 1 July	255 894 516	255 894 516	255 894 516	255 894 516
Effect of treasury shares held	(575 687)	(399 244)	-	-
Weighted average number of ordinary shares in issue	255 318 829	255 495 272	255 894 516	255 894 516
Effect of dilutive shares	170 846	115 043	170 846	115 044
Fully diluted weighted average number of ordinary shares in issue	255 489 675	255 610 315	256 065 362	256 009 560

B2.3 Earnings per share (cents per share)

	Group		Company	
	June 2020 cents	June 2019 cents	June 2020 cents	June 2019 cents
Basic (loss)/earnings per share (EPS)	(1 332.4)	64.5	(1 214.2)	125.2
<i>(Loss)/profit for the year attributable to shareholders of the Company (basic earnings) divided by the weighted average number of ordinary shares in issue.</i>				
Fully diluted (loss)/earnings per share (DEPS)	(1 331.5)	64.5	(1 213.4)	125.1
<i>(Loss)/profit for the year attributable to shareholders of the Company (basic earnings) divided by the fully diluted weighted average number of ordinary shares in issue.</i>				
Headline earnings per share (HEPS)	410.7	223.5	408.1	218.0
<i>Headline earnings divided by the weighted average number of ordinary shares in issue.</i>				
Fully diluted headline earnings per share (DHEPS)	410.4	223.4	407.8	217.9
<i>Headline earnings divided by the fully diluted weighted average number of ordinary shares in issue.</i>				

C. SEGMENTAL ANALYSIS

C1 OVERVIEW AND DEFINITIONS

An operating segment is:

- a component of an entity that engages in business activities from which it may earn revenues
- the operating results of which are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated and to assess its performance, and
- for which financial information is available.

The Group's identification of its segments and the measurement of segment results are based on the Group's internal management reporting used for day-to-day decision-making and reviewed by the chief executive officer (who is the Group's chief operating decision maker). The segments have been identified according to their location, other than assets held-for-sale. The primary measures of segment performance are net operating income and distributable income.

Intersegment revenues and transfers are accounted for as if the transactions were concluded with third parties at arm's length market prices.

The segments are supported by the Group head office, which provides support in the areas of finance, legal, human resources, governance and compliance, risk management and information technology.

Properties (of any previous segment) that have been classified as held-for-sale according to IFRS 5: *Non-current assets held-for-sale* are reported under their geographic segments. There is one property in this segment (2019: one).

The Group comprises of the following business segments and sectors:

Business segment	Description and basis of segmentation	Sector
South Africa	The SA portfolio comprises all South African shopping malls and offices irrespective of size. There are nine centres in this segment (2019: nine). Included in this segment are the combined results of the various support services provided to the Group from South Africa including: Group finance, Stratco, Group asset management and development, human resources, legal and compliance, investor relations, Group marketing and Group facilities management.	SA
Eastern Europe	The EE portfolio comprises interests in dominant shopping centres in the Balkan region of Eastern Europe held through the Group's 60% interest in Hystead. There are six properties in this segment (2019: six).	EE
Sub-Saharan Africa	The SSA portfolio comprises interests in shopping centres in western Africa, excluding South Africa, held through Hyprop Mauritius, a wholly owned subsidiary. The property held-for-sale forms part of the SSA portfolio.	SSA

C. SEGMENTAL ANALYSIS *continued*

C2 SEGMENTAL ANALYSIS - PROFIT OR LOSS

	South Africa	Eastern Europe	Sub-Saharan Africa	Group
	June 2020 R'000	June 2020 R'000	June 2020 R'000	June 2020 R'000
Revenue	2 890 219	-	212 123	3 102 342
Rental and other lease income	2 078 212	-	182 910	2 261 122
Straight-line rental income accrual	125 927	-	(7 641)	118 286
Recoveries	686 080	-	36 854	722 934
Impairment of trade receivables	(35 786)	-	(41 896)	(77 682)
Property expenses	(1 069 565)	-	(70 156)	(1 139 721)
Net property income	1 784 868	-	100 071	1 884 939
Other operating income ⁽¹⁾	22 705	215	(2 049)	20 871
Other operating expenses	(87 933)	-	(1 197)	(89 130)
Operating income	1 719 640	215	96 825	1 816 680
Net interest	(357 028)	-	(191 367)	(548 395)
Interest income	55 105	-	33 892	88 997
Interest expense	(412 133)	-	(225 259)	(637 392)
Net operating income	1 362 612	215	(94 542)	1 268 285
Guarantee fee income	-	22 111	-	22 111
Dividends received	-	120 630	-	120 630
Net income/(loss) before fair value adjustments	1 362 612	142 956	(94 542)	1 411 026
Changes in fair value	(4 540 750)	297 863	(394 041)	(4 636 928)
Impairment of loans receivables	-	-	(289 974)	(289 974)
(Loss)/Profit before taxation	(3 178 138)	440 819	(778 557)	(3 515 876)
Taxation	(7 637)	-	487	(7 150)
(Loss)/Profit for the year	(3 185 775)	440 819	(778 070)	(3 523 026)
⁽¹⁾ R215 000 (2019: R4 284 000) relates to foreign exchange gains realised on dividends from Hystead and guarantee fee income from PDI.				
Calculation of distributable income				
Net income/(loss) before fair value adjustments	1 362 612	142 956	(94 542)	1 411 026
Adjusted for:	(175 049)	-	22 064	(152 985)
Straight-line rental income accrual	(125 927)	-	7 641	(118 286)
Non-controlling interest	-	-	21 449	21 449
Net interest adjustments	-	-	(4 036)	(4 036)
Other fair value adjustments - Edcon	(45 172)	-	-	(45 172)
Gruppo non-remittable income	-	-	(5 039)	(5 039)
Capital items for distribution purposes	(3 950)	-	2 049	(1 901)
Distributable income	1 187 563	142 956	(72 478)	1 258 041

	South Africa	Eastern Europe	Sub-Saharan Africa	Group
	June 2019 R'000	June 2019 R'000	June 2019 R'000	June 2019 R'000
Revenue	3 003 847	-	214 001	3 217 848
Rental and other lease income	2 372 402	-	194 748	2 567 150
Straight-line rental income accrual	(81 399)	-	(6 488)	(87 887)
Recoveries	712 844	-	25 741	738 585
Impairment of trade receivables	(23 712)	-	(23 340)	(47 052)
Property expenses	(1 068 708)	-	(63 294)	(1 132 002)
Net property income	1 911 427	-	127 367	2 038 794
Other operating income ⁽¹⁾	26 544	4 284	-	30 828
Other operating expenses	(71 513)	-	(915)	(72 428)
Operating income	1 866 458	4 284	126 452	1 997 194
Net interest	(239 190)	-	(221 965)	(461 155)
Interest income	74 067	-	81 976	156 043
Interest expense	(313 257)	-	(303 941)	(617 198)
Net operating income	1 627 268	4 284	(95 513)	1 536 039
Guarantee fee income	-	40 542	-	40 542
Dividends received	-	221 190	-	221 190
Net income/(loss) before fair value adjustments	1 627 268	266 016	(95 513)	1 797 771
Changes in fair value	(209 128)	(85 229)	(292 726)	(587 083)
Profit on disposal of investment property	2 825	-	-	2 825
Impairment of loans receivables	-	-	(1 350 727)	(1 350 727)
Other impairments	-	-	(29 964)	(29 964)
Derecognition of financial guarantees	-	185 686	-	185 686
Profit before taxation	1 420 965	366 473	(1 768 930)	18 508
Taxation	(1 730)	-	94 758	93 028
Profit for the year	1 419 235	366 473	(1 674 172)	111 536

⁽¹⁾ R215 000 (2019: R4 284 000) relates to foreign exchange gains realised on dividends from Hystead and guarantee fee income from PDI.

Calculation of distributable income

Net income/(loss) before fair value adjustments	1 627 268	266 016	(95 513)	1 797 771
Adjusted for:	67 743	-	37 154	104 897
Straight-line rental income accrual	81 399	-	6 488	87 887
Non-controlling interest	-	-	30 959	30 959
Taxation paid	-	-	(427)	(427)
Net interest adjustments	-	-	134	134
Other fair value adjustments - Edcon	(12 705)	-	-	(12 705)
Capital items for distribution purposes	(951)	-	-	(951)
Distributable income	1 695 011	266 016	(58 359)	1 902 668

C. SEGMENTAL ANALYSIS *continued***C3 SEGMENTAL ANALYSIS - FINANCIAL POSITION**

	South Africa	Eastern Europe	Sub-Saharan Africa	Group
	June 2020 R'000	June 2020 R'000	June 2020 R'000	June 2020 R'000
Assets				
Non-current assets	24 657 174	532 972	-	25 190 146
Current assets	881 147	22 759	766 734	1 670 640
Assets classified as held-for-sale	-	-	2 098 918	2 098 918
Total assets	25 538 321	555 731	2 865 652	28 959 704
Liabilities				
Non-current liabilities	4 403 050	127 066	-	4 530 116
Current liabilities	1 749 285	-	2 049 629	3 798 914
Liabilities associated with assets classified as held-for-sale	-	-	1 359 216	1 359 216
Total liabilities	6 152 335	127 066	3 408 845	9 688 246
	June 2019 R'000	June 2019 R'000	June 2019 R'000	June 2019 R'000
Assets				
Non-current assets	28 639 145	237 291	-	28 876 436
Current assets	1 151 002	19 262	1 559 025	2 729 289
Assets classified as held-for-sale	-	-	2 047 847	2 047 847
Total assets	29 790 147	256 553	3 606 872	33 653 572
Liabilities				
Non-current liabilities	3 796 753	110 401	2 671 833	6 578 987
Current liabilities	1 461 881	-	22 600	1 484 481
Liabilities associated with assets classified as held-for-sale	-	-	1 098 300	1 098 300
Total liabilities	5 258 634	110 401	3 792 733	9 161 768

D. PROFIT OR LOSS**D1 REVENUE AND MINIMUM LEASE PAYMENTS****D1.1 Revenue****D1.1.1 Accounting policy**

Revenue consists of:

- Rental and other lease income – governed by IFRS 16: *Leases*
- Recoveries – governed by IFRS 15: *Revenue from contracts with customers*

Rental and other lease income

Rental and other lease income represents the amounts receivable for services provided, net of value added tax, and is measured at the amount of the consideration to which the Group expects to be entitled (i.e. transaction price).

Rental and other lease income comprises contractual rental income, operating cost recoveries, income from marketing and promotions and parking income. Contractual rental income (including tenant parking income and contractual fixed operating cost recoveries) is recognised on a straight-line basis over the term of the lease. Income from marketing, promotions and parking is recognised when the service is rendered.

Contingent rentals/turnover rentals (variable rentals based on the turnover achieved by a tenant) are included in revenue when the amounts can be reliably measured.

Recoveries

Recoveries income represents the transaction price (i.e. the amount of the consideration which the entity expects to receive) for services provided net of value added tax. The Group retains primary responsibility for the provision of the services, and considers itself the principal supplier of such services in this respect.

Recoveries are recognised on an accruals basis in line with the service being provided. Accordingly the Group maintains its recording of service charge income on a gross basis.

Performance obligations related to recovery income

a.	When the entity typically satisfies its performance obligations	• Services are rendered during the month. Revenue is recognised at a point in time (the end of the month in which the service is rendered).
b.	The significant payment terms	• Payment from tenants is due on the 1st of each month.
c.	Variability of the consideration payable	• Utility recoveries are charged either at a flat rate per unit or at a variable rate per unit depending on time of use.
d.	The nature of the goods or services that the entity has undertaken / agreed to transfer	• Services rendered include the provision of utilities, cleaning, security and marketing services for a calendar month.

D1.1.2 Profile

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Rental and other lease income (recorded in accordance with IFRS 16: Leases)	2 261 122	2 567 150	2 078 213	2 372 402
Gross contractual rental income	2 148 074	2 123 044	1 974 859	1 958 379
Covid-19 rent relief ⁽²⁾	(265 114)	-	(242 425)	-
Contractual rental income	1 882 960	2 123 044	1 732 434	1 958 379
Turnover rent	14 102	40 610	14 102	40 610
Operating cost recoveries ⁽¹⁾	225 318	236 973	199 788	214 862
Casual parking income	76 311	102 389	74 577	99 976
Marketing and promotions income	62 431	64 134	57 312	58 575
Straight-line rental income accrual	118 286	(87 887)	125 927	(81 399)
Lease income	2 379 408	2 479 263	2 204 140	2 291 003
Recoveries (non-lease income recorded in accordance with IFRS 15: Revenue from contracts with customers)	722 934	738 585	686 080	712 844
Municipal recoveries	686 585	720 434	661 595	696 444
Other recoveries	36 349	18 151	24 485	16 400
Revenue	3 102 342	3 217 848	2 890 220	3 003 847

⁽¹⁾ Operating cost recoveries comprise mainly fixed contractual amounts recovered from tenants in terms of the lease agreements. These are categorised as "lease income" in terms of IFRS 16: Leases. Comparative amounts have been reallocated accordingly.

⁽²⁾ Rental discounts and deferrals granted to tenants due to Covid-19 lockdowns/restrictions.

D. PROFIT OR LOSS *continued***D1. REVENUE AND MINIMUM LEASE PAYMENTS** *continued***D1.2 Minimum lease payments receivable**

Minimum lease payments comprise contractual rental income and operating costs recoverable from tenants in terms of existing lease agreements.

	Group and Company	
	June 2020	June 2019
	R'000	R'000
The minimum lease payments receivable from tenants have been classified into the following time periods:		
– Short-term (<i>up to one year</i>)	1 990 697	2 104 186
– Medium-term (<i>greater than one year and up to five years</i>)	4 014 611	4 163 614
– Long-term (<i>greater than five years</i>)	1 416 007	1 284 452
Total minimum lease payments receivable	7 421 315	7 552 252

Minimum lease payment disclosures exclude held-for-sale properties.

D2. PROPERTY EXPENSES AND OTHER OPERATING EXPENSES

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
D2.1 Property expenses comprise:		1 139 721	1 132 002	1 069 565	1 068 708
Municipal expenses		708 454	722 734	694 457	707 874
Other utilities		45 067	35 063	26 535	15 494
Security		58 575	55 081	56 371	52 975
Cleaning		46 962	44 421	45 402	43 025
Marketing		41 866	44 333	40 320	42 577
Maintenance		36 428	38 491	29 756	35 054
Air-conditioning		18 010	17 003	16 058	15 581
Depreciation		44 441	41 809	43 043	40 123
Legal fees		1 601	3 544	1 332	3 049
Salaries and staff-related expenses		70 229	73 753	64 290	69 022
Audit fees - external	D2.3	2 220	1 991	1 664	1 581
Audit fees - internal		350	789	350	789
Insurance		7 646	8 248	6 044	6 747
Professional fees		4 546	3 486	4 077	2 795
Computer expenses and licences		3 695	3 117	3 689	3 112
Net foreign exchange losses		7 316	2 974	-	-
Other property costs		42 315	35 165	36 177	28 910
D2.2 Net Other operating expenses		89 130	72 428	87 923	71 354
D2.2.1 Other operating expenses		89 130	72 428	87 923	71 354
Salaries and staff-related expenses		48 728	37 519	48 728	37 519
Share-based payment expense		11 795	10 365	11 795	10 365
Non-executive directors' remuneration		4 747	4 319	4 747	4 319
Audit fees - external	D2.3	2 326	2 937	2 020	2 708
Audit fees - internal		511	850	511	850
Insurance		388	306	388	306
Professional fees		3 864	1 748	3 755	1 675
Computer expenses and licences		1 482	1 770	1 482	1 770
Legal fees		3 571	1 178	3 571	1 178
Corporate social investment		768	1 925	883	-
Depreciation		1 419	400	1 419	400
Investor relations and related costs		2 647	2 457	2 647	2 457
Ratings and regulatory fees		2 427	1 835	2 426	1 835
Other		4 457	4 819	3 551	5 972
D2.2.2 Other operating income ⁽¹⁾		(20 871)	(30 828)	(28 677)	(30 828)
Asset management fees		(18 783)	(27 715)	(18 783)	(27 715)
Foreign exchange gains		(2 088)	(3 113)	(9 894)	(3 113)
Net other operating expenses		68 259	41 600	59 246	40 526

⁽¹⁾ Reclassification from Other operating expenses to Other operating income:

Asset management fees earned and net foreign exchange gains have been included in Other operating income. Comparative amounts have been reallocated accordingly.

D2.3 Audit fees

Included in expenses are the following amounts:

Paid to the external auditors for the attest function (KPMG and Ernst & Young Nigeria)	4 546	4 928	3 684	4 289
Paid to the external auditors for other approved services (KPMG Services)	242	271	242	271
Paid to KPMG Nigeria for other approved services	469	204	-	-

D. PROFIT OR LOSS *continued***D3 OPERATING COMMITMENTS**

Hyprop has entered into various service contracts for the cleaning, upkeep and general maintenance of its investment property portfolio. Operating expense commitments payable under existing service contracts to service providers in future years have been classified as follows:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Short-term (up to one year)	10 286	1 826	10 286	1 826
Total	10 286	1 826	10 286	1 826

The operating commitments disclosures exclude held-for-sale properties. Contracts which can be terminated on one month's notice have been included for one month only.

D4 INTEREST**D4.1 Accounting policy**

Interest income	Interest earned on cash invested at financial institutions is recognised on an accrual basis using the effective interest rate method. Interest earned on loans receivable is recognised on an accrual basis using the effective interest rate method, other than loans which are credit impaired (stage 3 loans) where interest is only accrued on the net balance (i.e. the outstanding balance less credit impairments).
Interest expense	Interest expense is calculated on the effective interest rate method. Borrowing costs, except those capitalised to a qualifying asset, are recognised as an expense in the period in which they are incurred.
Capitalised interest expense	<p>Interest costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is substantially ready for its intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use.</p> <p>The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on funds borrowed in respect of the qualifying asset. Investment income earned on the temporary investment of borrowed funds pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.</p>

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Interest income	88 997	156 043	58 751	77 152
Positive bank balances	54 805	72 969	54 419	72 920
Loans receivable	34 192	83 074	4 332	4 232
Interest expense	(637 392)	(617 198)	(412 133)	(313 257)
Borrowings	(607 063)	(570 118)	(412 722)	(313 257)
Capitalised	589	-	589	-
Non-controlling shareholder loan	(30 918)	(27 675)	-	-
Fair value adjustment on non-controlling shareholder loan	-	(19 405)	-	-
Net interest	(548 395)	(461 155)	(353 382)	(236 105)

D5 DIVIDENDS RECEIVED

D5.1 Accounting policy

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the dividend has been declared.

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
<i>Dividends received from:</i>				
Hystead	120 630	221 190	120 630	221 190
Total	120 630	221 190	120 630	221 190

D6 TAXATION

D6.1 Accounting policy

Normal and deferred taxes are recognised as income or an expense and included in profit or loss for the year.

The charge for normal taxation includes expected tax payable or receivable on the taxable income or loss for the year and any adjustment for taxation payable or receivable in respect of prior years.

Normal taxation liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date.

Hyprop is a REIT (Real Estate Investment Trust) in terms of the South African Income Tax Act (the Act) and in terms of the JSE Listings Requirements. In terms of section 25BB of the Act, a qualifying distribution declared to Hyprop shareholders is deductible against Hyprop's taxable income. As a consequence of this deduction (which historically has exceeded the Company's taxable income) South African taxable income and income taxation is usually reduced to zero.

D. PROFIT OR LOSS *continued***D6. TAXATION** *continued***D6.2 Key judgements and estimations**

Taxation	<p>The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.</p> <p>A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.</p> <p>The Group recognises liabilities for anticipated tax obligations based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.</p> <p>The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.</p>
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D6.3 Taxation expense

Note	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Major components of the taxation expense				
Normal taxation	(487)	427	-	-
Current year	(487)	427	-	-
Deferred taxation	7 637	(93 455)	7 637	1 730
Current year	7 637	(93 800)	7 637	1 385
Prior year	-	345	-	345
Total taxation expense	7 150	(93 028)	7 637	1 730

D6.4 Reconciliation of taxation expense

Loss / profit before tax	(3 515 876)	18 508	(3 099 383)	322 092
Notional taxation at 28%	(984 446)	5 182	(867 827)	90 186
<i>Adjusted for:</i>	991 596	(98 210)	875 464	(88 456)
REIT qualifying distribution	(339 768)	(508 258)	(339 768)	(508 258)
Exempt income and non-deductible expenses	1 296 109	392 834	1 215 232	390 750
Prior year tax adjustments:				
Deferred taxation	-	345	-	345
Imputed income from Hyprop Mauritius and Hystead	-	28 707	-	28 707
Deferred tax asset not recognised	24 023	-	-	-
Adjustment in respect of foreign tax rates	11 232	(11 838)	-	-
Total taxation expense / (credit)	7 150	(93 028)	7 637	1 730

D6.5 Exempt income and non-deductible expenses

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Exempt income and non-deductible expenses comprise the following:				
Changes in fair value:				
Investment property	1 307 157	44 473	1 197 600	44 473
Financial guarantee	4 666	-	(15 259)	-
Derivative instruments	61 936	12 908	61 161	10 526
Financial asset	(88 068)	23 864	(88 068)	23 864
Convertible loan	-	(16 300)	-	-
Derecognition of financial guarantees	-	(51 992)	-	(61 258)
Straight-line rental income accrual	(33 120)	22 792	(35 260)	22 792
Profit on disposal of assets	-	(791)	-	(791)
Non-taxable dividend received	(33 776)	(61 933)	(33 776)	(61 933)
Impairment of loan to joint venture / intercompany loan	81 193	427 642	12 493	415 909
Impairment in investment in subsidiary	-	-	111 446	4 562
Reversal of wear and tear allowances on asset sales	-	(8 510)	-	(8 510)
Other	(3 879)	681	4 895	1 116
Total income exempt from tax and non-tax deductible expenses	1 296 109	392 834	1 215 232	390 750
Net unrecognised tax losses	-	-	-	-
Assessed tax losses available for utilisation against future taxable income	279 008	279 008	279 008	279 008
Applied to reduce deferred taxation liability	(279 008)	(279 008)	(279 008)	(279 008)

E. PROPERTY INVESTMENTS AND RELATED ITEMS

E1 INVESTMENT PROPERTY

E1.1 Accounting policy

Investment properties are properties held to earn rental income and/or for capital appreciation.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

Investment property is initially recognised at cost, including transaction costs. Cost includes initial costs, costs incurred subsequently to extend or refurbish investment property and the cost of any development rights.

Investment property is subsequently measured at fair value.

Gains or losses arising from changes in fair value, after deducting the straight-line rental income accrual, are included in net profit or loss for the period in which they arise. These gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

In instances when investment property has been sold, but not yet transferred to the purchaser at year-end, the fair value is determined as the sale price.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the property.

Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

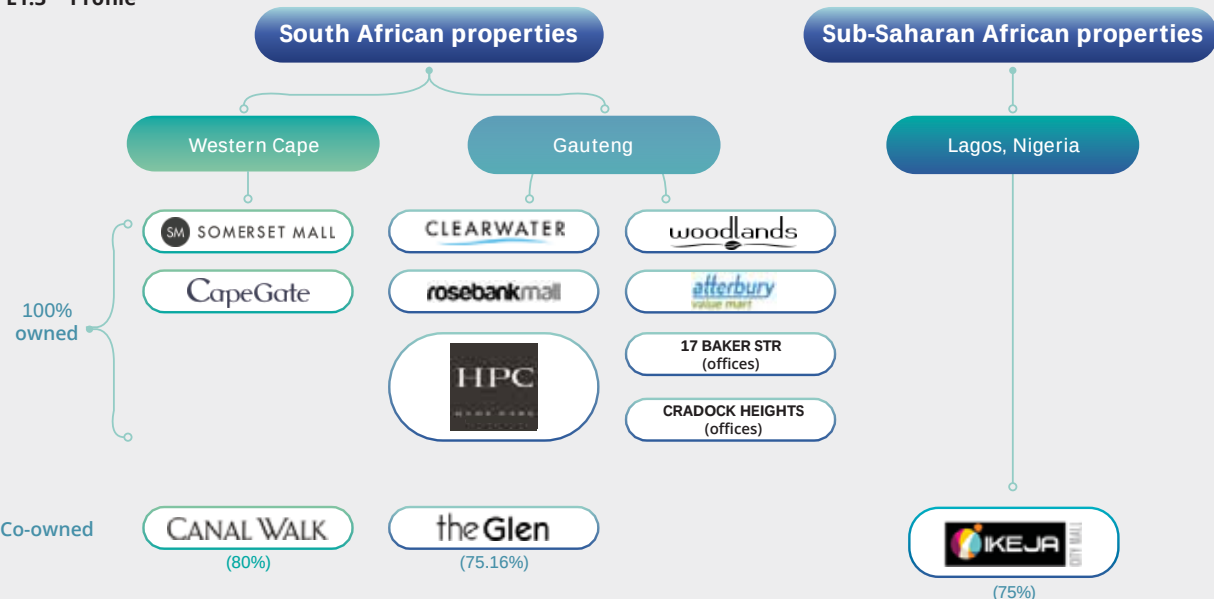
Realised gains or losses arising on the disposal of investment properties are recognised in profit or loss for the year and transferred to/from non-distributable reserves in the statement of changes in equity.

E1.2 Key judgements and estimations

Investment property valuations

The valuation of investment properties requires judgement in the determination of, inter alia, future cash flows, appropriate discount rates and capitalisation rates. Refer: E1.7.3 - Valuation assumptions

E1.3 Profile



	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
E1.4 Net carrying value				
Historical cost	15 516 373	14 897 979	12 826 351	12 702 164
Accumulated fair value movements	10 341 537	15 067 836	11 048 012	15 325 157
Assets classified as held-for-sale	(1 983 547)	(1 938 494)	-	-
Total investment property	23 874 363	28 027 321	23 874 363	28 027 321
E1.5 Movement reconciliation				
Investment property at valuation at 1 July	28 027 321	30 141 027	28 027 321	28 091 539
Capital expenditure	140 896	95 064	140 629	94 670
Disposals	-	(55)	-	(55)
Currency translation difference	436 060	67 016	-	-
Net change in fair value	(4 668 419)	(337 238)	(4 277 145)	(158 832)
Change in fair value	(4 550 133)	(425 125)	(4 151 218)	(240 231)
Straight-line rental income accrual	(118 286)	87 887	(125 927)	81 399
Interest capitalised	589	-	589	-
Reclassification to property plant and equipment	(17 031)	-	(17 031)	-
Transfer to non-current assets held-for-sale	(45 053)	(1 938 494)	-	-
Total investment property	23 874 363	28 027 321	23 874 363	28 027 321
E1.6 Reconciliation to independent valuation				
Net carrying value of investment property	23 874 363	28 027 321	23 874 363	28 027 321
Straight-line rental income accrual	574 845	448 917	574 845	448 917
Property, plant and equipment	206 236	162 288	206 236	162 288
Fair value relating to owner occupied building portion	12 897	-	12 897	-
Centre management assets	(2 377)	(1 808)	(2 377)	(1 808)
Independent valuation ⁽¹⁾	24 665 964	28 636 718	24 665 964	28 636 718

⁽¹⁾ Excludes property held-for-sale, refer to note E7.

Refer to Section C – Segmental analysis, for a breakdown of investment property, contractual rental income and property expenses by segment.

Interest rate used to calculate interest capitalised (%)	7.4	n/a	7.4	n/a
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E1.7 Valuation methodology

Investment property fair value measurements are categorised as level 3 (refer to note L1.1 for the definition of level 3). The Group's policy is to obtain independent valuations of the investment properties and report investment properties at the lower of that value, or a directors' valuation based on arms-length *bona fide* commercial offers for specific properties. The South African properties are independently valued every six months, while properties held by subsidiaries or associates of AttAfrica and Hystead are independently valued on an annual basis.

The valuation methods applied by independent valuers are the same as those used in the prior year.

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E1. INVESTMENT PROPERTY** *continued***E1.7 VALUATION METHODOLOGY** *continued***E1.7.1 Who**

Valuations of the South African investment properties were performed by valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act 47 of 2000. Valuations of the non-South African properties were performed by valuers who are members of the Royal Institution of Chartered Surveyors (RICS), as detailed below:

Company and lead valuer	Qualification	Properties valued
Viking Valuation Trevor King Managing Director	BSc Hons (Building Science, UCT), Dip Surveying (UK, Reading University), Professional Registered Valuer and member of SA Council for the Property Valuers Profession, Chartered Valuation Surveyor and Associate Member of the Royal Institute of Chartered Surveyors (MRICS).	Canal Walk, Somerset Mall, CapeGate, Rosebank Mall, Atterbury Value Mart, Cradock Heights and 17 Baker (Retail and office)
Jones Lang LaSalle (JLL) Joshua Askew Head of valuation: Sub-Saharan Africa, National Director	BA (Hons) English and Philosophy, MA Property Valuations and Property Law, Fellow of and Registered Valuer of the Royal Institute of Chartered Surveyors (FRICS and RICS), Licensed Pfandbrief MLV Valuer, Recognised European Valuer.	The Glen, Clearwater Mall, Hyde Park Corner, Woodlands Boulevard (Retail and office)
Mills Fitchet Thomas Bate Partner/member	BSc (Urban Land Economics) University of Westminster London, MSc (Reading University UK), Chartered Valuation Surveyor (RICS).	Ikeja City Mall (Lagos, Nigeria) (Retail)

E1.7.2 How

Details of the valuation methodologies used in valuing investment property, as well as the significant unobservable inputs used, are set out in the table below:

Type	Valuation methodology	Unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Investment properties – continuing operations	Discounted cash flow: The valuation models calculate the present value of the future net cash flows expected to be generated by each investment property. The cash flow projections include specific estimates for five years. The expected net cash flows are discounted using a risk adjusted discount rate as well as a risk adjusted cap rate.	<ul style="list-style-type: none"> Estimated rentals at the end of the lease Vacancy levels Discount rate, and Reversionary capitalisation rate. 	The estimated fair value increases if: <ul style="list-style-type: none"> The estimated rentals increase Vacancy levels decline, Discount rates (market yields) decline or Reversionary capitalisation rates decline (and vice versa).
Investment properties – held-for-sale	Fair value less costs to sell: Investment property held-for-sale is measured at fair value less costs to sell (FVLCTS) which, in instances where the property is already sold, but not yet transferred, is based on the sale price.	<ul style="list-style-type: none"> Estimated rentals at the end of the lease Vacancy levels Discount rate Reversionary capitalisation rate, and Costs to sell. 	

E1.7.3 Valuation assumptions

The key assumptions used by the valuers in determining the fair values of the investment properties are in the following ranges:

	Group		Company	
	June 2020 %	June 2019 %	June 2020 %	June 2019 %
Reversionary capitalisation rates	6.8 to 9.0	6.5 to 8.8	6.8 to 9.0	6.5 to 8.8
Weighted average reversionary capitalisation rates	7.5	6.9	7.4	6.8
Discount rate	10.5 to 14.5	10.5 to 14.3	11.3 to 14.5	12.3 to 14.3
Weighted average discount rate	12.4	12.4	12.5	12.5
Retail vacancy levels	0.0 to 1	0.3 to 2	0.0 to 1	0.3 to 2
Office vacancy levels	0.0 to 0.5	0.5 to 0.8	0.0 to 0.5	0.5 to 0.8
Average market rental growth rate	4.2	5.8	4.3	5.8

The discount and capitalisation rates used in the property valuations are dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property. The current economic downturns in South Africa and Nigeria, together with the extremely difficult trading and operating conditions due to the national lockdowns and Covid-19, has prompted the valuers to assume and apply higher and more conservative discount and reversionary capitalisation rates and to revise their market rental growth rates and forecast property net operating incomes. Reversionary capitalisation rates were adjusted upwards by between 0.25% to 1.5%, from the capitalisation rates used in 2019. Discount rates were adjusted accordingly. The anticipated short-term impact of rental discounts granted to tenants as a result of Covid-19 was taken into account as a “once-off” adjustment.

The independent valuers have noted in their valuation reports that, as a result of Covid-19, their valuations are reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global (The Royal Institute of Chartered Surveyors global valuation standards guideline). They note that, at the valuation date:

- the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement; and
- they consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

Consequently, they note that, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, they recommend that the valuations be kept under frequent review. It is Hyprop's policy to have its consolidated investment properties independently valued every six months.

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E1. INVESTMENT PROPERTY** *continued***E1.7 VALUATION METHODOLOGY** *continued***E1.7.4 Valuation sensitivity** ⁽¹⁾

The valuations of the investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property in the statement of profit or loss.

	June 2020 % change	June 2019 % change	Group		Company	
			June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Increase in reversionary capitalisation rates	0.25	0.25	(630 311)	(723 337)	(630 311)	(723 337)
Decrease in reversionary capitalisation rates	0.25	0.25	675 237	778 519	675 237	778 519
Increase in discount rate	0.25	0.25	(251 395)	(274 057)	(251 395)	(274 057)
Decrease in discount rate	0.25	0.25	254 619	277 580	254 619	277 580
Increase in average market rental growth rate	0.25	0.25	199 400	279 416	199 400	261 581
Decrease in average market rental growth rate	0.25	0.25	(215 700)	(302 940)	(215 700)	(283 603)

⁽¹⁾ Value sensitivities exclude assets held-for-sale

E1.8 Mortgaged properties

First mortgage bonds have been registered over South African investment property as well as sub-Saharan African investment property as security for secured interest-bearing borrowings.

In the case of Standard Bank and Rand Merchant Bank, properties are mortgaged to secure a pool of both consolidated and non-consolidated borrowings.

Note	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Fair value of investment property mortgaged as security	19 980 352	25 299 216	17 987 264	23 360 700
<i>Comprising: Canal Walk (80%), The Glen (75.16%), Somerset Mall (30%), Woodlands Boulevard, Clearwater Mall, Ikeja City Mall (held-for-sale) and Atterbury Value Mart.</i>				
Total secured borrowings	12 183 693	10 760 655	9 189 154	7 306 747
Secured borrowings (consolidated)	3 697 101	4 229 324	1 658 225	1 558 308
Secured borrowings held-for-sale (consolidated)	955 663	782 892	-	-
Secured revolving credit facilities not drawn down	500 000	-	500 000	-
Secured borrowings (non-consolidated) ⁽²⁾	7 030 929	5 748 439	7 030 929	5 748 439

⁽²⁾ Non-consolidated borrowings comprise loans advanced to Hystead Limited and its subsidiaries which have been guaranteed by Hyprop Investments Limited. Hyprop's obligations under these guarantees are secured by mortgage bonds over certain of Hyprop's properties as described above.

E1.9 Straight-line rental income accrual

Balance at the beginning of the year	448 917	550 182	448 917	530 316
Foreign currency translation difference	3 157	650	-	-
Recognition/(reversal) of straight-line asset during the year	118 286	(87 887)	125 928	(81 399)
Reallocated from/to asset-held-for-sale	4 485	(14 028)	-	-
Balance at the end of the year	574 845	448 917	574 845	448 917

E2 PROPERTY, PLANT AND EQUIPMENT

E2.1 Accounting policy

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write down the cost, to the estimated residual value, in equal monthly instalments over the estimated useful lives of the assets, as follows:

Building appurtenances	– 3 to 15 years
Tenant installations	– period of the lease
Owner occupied building:	– 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary. There were no adjustments in the current and prior years.

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the Group and the cost thereof can be reliably measured. All other expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss and are calculated as the difference between the proceeds and the carrying value of the item sold.

E2.2 Net carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Cost				
Building appurtenances	318 937	256 158	318 937	256 158
Tenant installations	85 938	77 338	85 938	77 338
Owner occupied building	17 031	-	17 031	-
Total cost	421 906	333 496	421 906	333 496
Accumulated depreciation				
Building appurtenances	156 169	122 950	156 169	122 950
Tenant installations	58 649	48 258	58 649	48 258
Owner occupied building	852	-	852	-
Total accumulated depreciation	215 670	171 208	215 670	171 208
Net carrying value				
Building appurtenances	162 768	133 208	162 768	133 208
Tenant installations	27 289	29 080	27 289	29 080
Owner occupied building	16 179	-	16 179	-
Total net carrying value	206 236	162 288	206 236	162 288

E2.3 Movement for the year

Net carrying value at the beginning of the year	162 288	163 068	162 288	159 911
Capital expenditure	83 695	45 051	71 379	43 457
Currency translation difference	1 941	103	-	-
Disposals	-	(201)	-	(201)
Reclassified from investment properties	17 031	-	17 031	-
Classified as held-for-sale	(12 859)	(3 524)	-	(356)
Depreciation	(45 860)	(42 209)	(44 462)	(40 523)
Net carrying value at the end of the year	206 236	162 288	206 236	162 288

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E3 CAPITAL COMMITMENTS**

Details of approved capital expenditure for the year ended 30 June 2021 are set out below.

	Group and Company	
	June 2020 R'000	June 2019 R'000
Approved and committed	173 346	84 945
Approved but not yet committed	339 315	365 532
Total	512 661	450 477
Yield-based projects	248 107	241 945
Trading density improvements	71 994	121 475
Maintenance/replacements	33 642	66 562
Infrastructure projects	158 918	20 495
Total capital commitments ⁽¹⁾	512 661	450 477

⁽¹⁾ These balances do not include Co-owners' portions of Canal Walk and The Glen.

Capital commitments exclude held-for-sale properties.

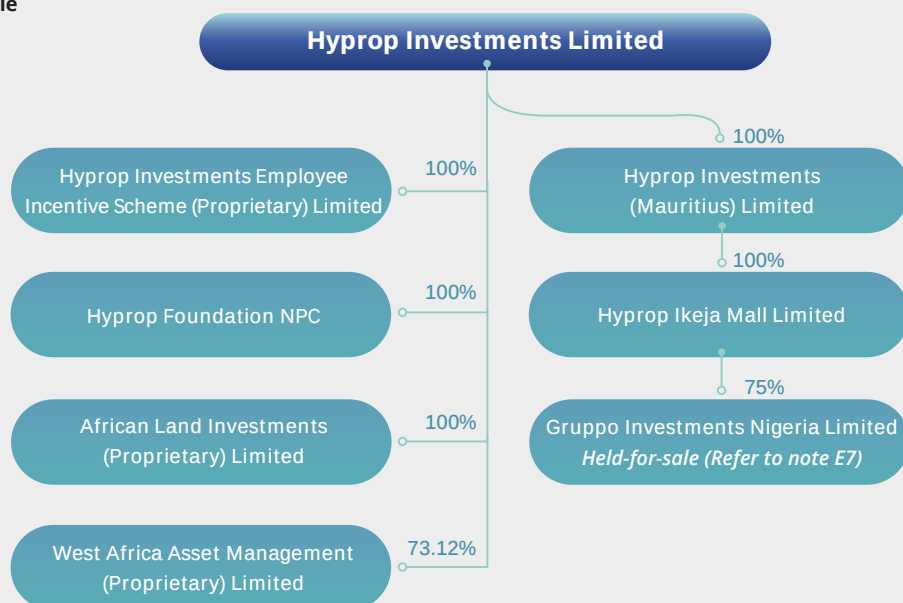
The capital expenditure will be financed from available cash resources, cash generated by operations, banking facilities and debt capital market funding.

E4 INVESTMENTS IN SUBSIDIARIES

E4.1 Accounting policy election

Investments in subsidiaries, joint operations	In terms of IAS 27: <i>Investments in subsidiaries, associates and joint arrangements</i> , these investments can be accounted for in the separate financial statements either at: cost; or at fair value in accordance with IFRS 9: <i>Financial instruments</i> ; or using the equity method as described in IAS 28: <i>Investments in associates and joint ventures</i> . The Group has elected to recognise these investments at cost in the separate financial statements.
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E4.2 Profile



Name and country of incorporation/operation	Status	Nature of activities	30 June 2020 % held ⁽¹⁾	30 June 2019 % held ⁽¹⁾
Incorporated and operating in South Africa				
African Land Investments (Proprietary) Limited	Dormant	Dormant	100	100
Hyprop Investments Employee Incentive Scheme (Proprietary) Limited	Active	Hedging the obligations arising from share allocations made to employees.	100	100
Hyprop Foundation NPC	Active	Coordination of Hyprop's corporate social investment initiatives.	100	100
West Africa Asset Management (Proprietary) Limited	Active	Asset management function for properties in sub-Saharan Africa (excluding SA).	73.12	-
Incorporated and operating in Mauritius				
Hyprop Investments (Mauritius) Limited	Active	Indirect investment in and development of income-producing properties in sub-Saharan Africa (excluding SA).	100	100
Hyprop Ikeja Mall Limited	Active	Holding Company for Gruppo.	100	100
Incorporated and operating in Nigeria				
Gruppo Investments Nigeria Limited	Held-for-sale	Owner of Ikeja City Mall.	75	75

⁽¹⁾ Proportion of ownership interest and voting power held by the Group.

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E4. INVESTMENTS IN SUBSIDIARIES** *continued***E4.3 Carrying value**

	Company	
	June 2020 R'000	June 2019 R'000
Shares at cost		
African Land - Shares at cost	758 264	758 264
Hyprop Share Scheme	*	*
Hyprop Foundation	*	*
Hyprop Mauritius	398 020	*
West Africa Asset Management (Proprietary) Limited	*	-
Less accumulated impairments	(398 020)	-
Total carrying value	758 264	758 264

* Amounts less than R1 000.

The recoverability of the shares in African Land has been assessed taking into account the loan payable by Hyprop to African Land of R761m (see note H1.4). This results in a net liability of R 2.86m.

The recoverability of the shares in Hyprop Mauritius has been assessed taking into account the following factors:

- the expected performance of the underlying investments
- the anticipated market values at which the companies / properties may be sold
- the net asset value of Hyprop Mauritius which, at 30 June 2020, is negative

In calculating the recoverable amount, no probability-weighted outcomes are used as the directors have assumed a 100% loss given default on the calculated shortfall. The investment (shares) in Hyprop Mauritius and the loan receivable from Hyprop Mauritius (see note F1.4) have been impaired to nil.

E4.4 Movement reconciliation

Net carrying value at the beginning of the year	758 264	758 264
Shares subscribed for	398 020	*
Less impairments	(398 020)	-
Total net carrying value	758 264	758 264

* Amounts less than R1 000.

E5 INVESTMENTS IN JOINT ARRANGEMENTS

E5.1 Accounting policy

Joint arrangements are those entities, assets or properties over which the Group has joint control, established by contractual agreements regarding decisions about relevant activities that significantly affect the returns of the arrangements. Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of the investor, and are accounted for as follows:

Joint operation – When the Group has rights to the assets and obligations for the liabilities relating to a joint arrangement, it accounts for its proportionate share of the assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation, in accordance with the applicable IFRS.

Joint venture – When the Group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

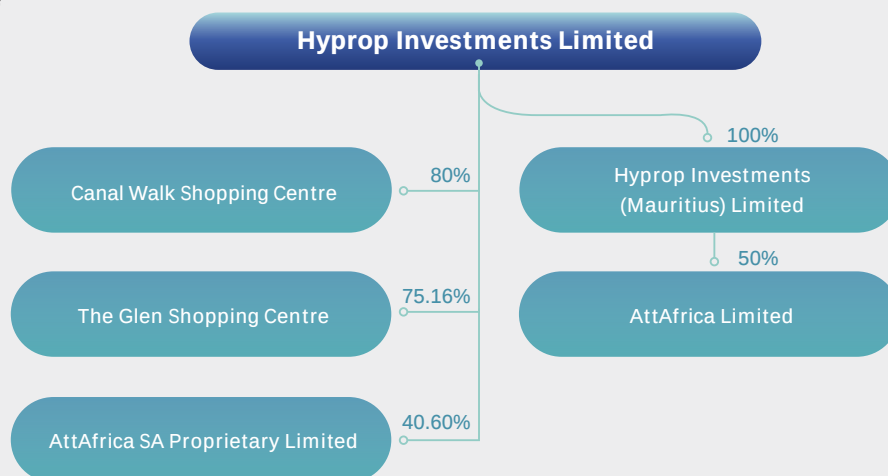
The above treatment will apply in all cases, except:

Held-for-sale – When the investment is classified as held-for-sale, it is accounted for in accordance with IFRS 5: *Non-current assets held-for-sale*.

Financial asset – When the investment is classified as a financial asset, it is accounted for in accordance with IFRS 9: *Financial instruments*.

E5.2 Key judgements and estimations

Classification as an associate or joint venture: <i>AttAfrica</i> .	Management has considered whether the investment in AttAfrica should be classified as a joint venture or an associate. Each of the two shareholders in AttAfrica (one of which is Hyprop Mauritius) have a 50% (2019: 37.5%) shareholding in AttAfrica. Based on the new shareholders agreement concluded during the 2020 financial year, decisions regarding the “reserved matters” must to be agreed to by both shareholders. Accordingly, Hyprop concluded that Hyprop Mauritius has joint control of AttAfrica.
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E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E5. INVESTMENTS IN JOINT ARRANGEMENTS** *continued***E5.3 Profile**

The Group's direct and indirect holdings in joint arrangements and associates are summarised below:

				Effective economic interest held %	
Name	Principal place of business	Partner/co-investor	Status	June 2020 %	June 2019 %
Joint operations					
Canal Walk Shopping Centre	Cape Town, South Africa	Ellerine Brothers	Active	80	80
The Glen Shopping Centre	Johannesburg, South Africa	Ellerine Brothers	Active	75.16	75.16
Joint ventures					
AttAfrica SA Proprietary Limited ⁽¹⁾	South Africa	Attacq Limited	Active	40.6	37.5
Joint venture - held through Hyprop Mauritius					
AttAfrica Limited ⁽²⁾	Mauritius	AIH International Limited	Active	50	37.5

⁽¹⁾ Effective from 14 April 2020, Hyprop and Attacq Limited acquired the shares and the entire shareholder loan of Atterbury Property Holdings (Pty) Ltd in AttAfrica SA. Subsequent to the transaction, Hyprop holds a 40,6% interest in AttAfrica SA. In 2019, Hyprop held a 37.5% interest in AttAfrica SA which was accounted for as an investment.

E5.4 Joint operations

Financial results for the joint operations, Canal Walk and The Glen, are proportionately consolidated in the Company and Group statements of profit or loss and other comprehensive income and statements of financial position.

E5.4.1 Summary of audited financial information

A summary of the audited financial information for the joint operations Canal Walk and The Glen is set out below.

% interest held by Hyprop	Canal Walk		The Glen	
	June 2020 80% R'000	June 2019 80% R'000	June 2020 75.16% R'000	June 2019 75.16% R'000
Revenue	682 352	776 657	234 728	252 100
Expenses	(235 495)	(252 853)	(102 159)	(92 412)
Net property income	446 857	523 804	132 569	159 688
Expenses include: Depreciation	(8 508)	(313)	(4 626)	(74)

E5.5 Joint ventures

E5.5.1 Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Shares at cost				
AttAfrica - ordinary shares at cost	*	*	*	*
AttAfrica - preference shares	-	-	-	-
Cost	1 768 661	-	-	-
Accumulated impairments	(1 768 661)	-	-	-
AttAfrica SA - ordinary shares at cost	1 730	*	1 730	*
Total carrying value	1 730	-	1 730	-

* Amounts less than R1 000.

During the year a portion of the loan receivable from AttAfrica was settled through a subscription for preference shares (see Notes F1.3 to F1.5).

The recoverability of the ordinary and preference shares in AttAfrica has been assessed, taking into account the following factors:

- the expected performance of the underlying investments
- the anticipated market values at which the companies / properties may be sold
- the negative net asset value of AttAfrica

In calculating the recoverable amount, no probability-weighted outcomes are used as the directors have assumed a 100% loss given default on the calculated shortfall.

The investment in AttAfrica has been impaired to nil.

Details of loans to joint ventures are set out in note F1 – *Loans receivable*.

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E5. INVESTMENTS IN JOINT ARRANGEMENTS** *continued***E5.5 JOINT VENTURES** *continued***E5.5.2 Summary of audited financial information**

Set out below is a summary of the audited financial information for the joint venture AttAfrica.

	AttAfrica	
	June 2020 100% R'000	June 2019 100% R'000
Summarised consolidated statement of financial position		
Non-current assets	2 467 696	2 671 499
Current assets	112 337	118 632
Non-current liabilities	(2 289 891)	(4 874 348)
Current liabilities	(684 779)	(86 022)
Net liabilities	(394 637)	(2 170 239)
<i>Summarised consolidated statement of financial position includes:</i>		
Cash and cash equivalents	27 046	48 930
Current financial liabilities	677 608	79 719
Non-current financial liabilities	2 029 296	4 657 998
Summarised consolidated statement of profit or loss and other comprehensive income		
Revenue	175 000	274 142
Loss before taxation	(207 923)	(1 378 981)
Taxation	(4 475)	(120 675)
Net loss	(212 398)	(1 499 656)
Other comprehensive income (currency translation reserve)	(498 064)	(25 836)
Total comprehensive loss	(710 462)	(1 525 492)
<i>Loss before taxation includes:</i>		
Fair value of investment property	(185 176)	(787 557)
Interest income	-	49 714
Interest expense	(391 959)	(534 582)
Depreciation	(6 267)	(7 821)
Comprehensive (loss)/income attributable to:	(710 461)	(1 525 492)
Equity holders of the Company	(598 518)	(1 071 032)
Non-controlling interest	(111 943)	(454 460)
Hyprop's share of losses	-	-
Share of loss from joint venture	(299 259)	(401 637)
Limitation of loss from joint venture	299 259	401 637

E6 FINANCIAL ASSET

E6.1 Accounting policy

Where the Group has a contractual right to receive its share of net distributable earnings of a financial asset, the financial asset is designated at fair value through profit or loss (FVTPL) and initially measured at fair value. Subsequent to initial recognition, the financial asset is measured at fair value and changes in the fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

Any gain or loss on initial recognition (i.e. the difference between the fair value and the amount paid) is deferred where the valuation method used to determine the fair value includes assumptions which are derived from unobservable inputs. The deferred profit or loss is subsequently recognised in profit or loss only to the extent of a change in a factor (including time) that market participants would take into account when pricing the asset.

E6.2 Key judgements and estimations

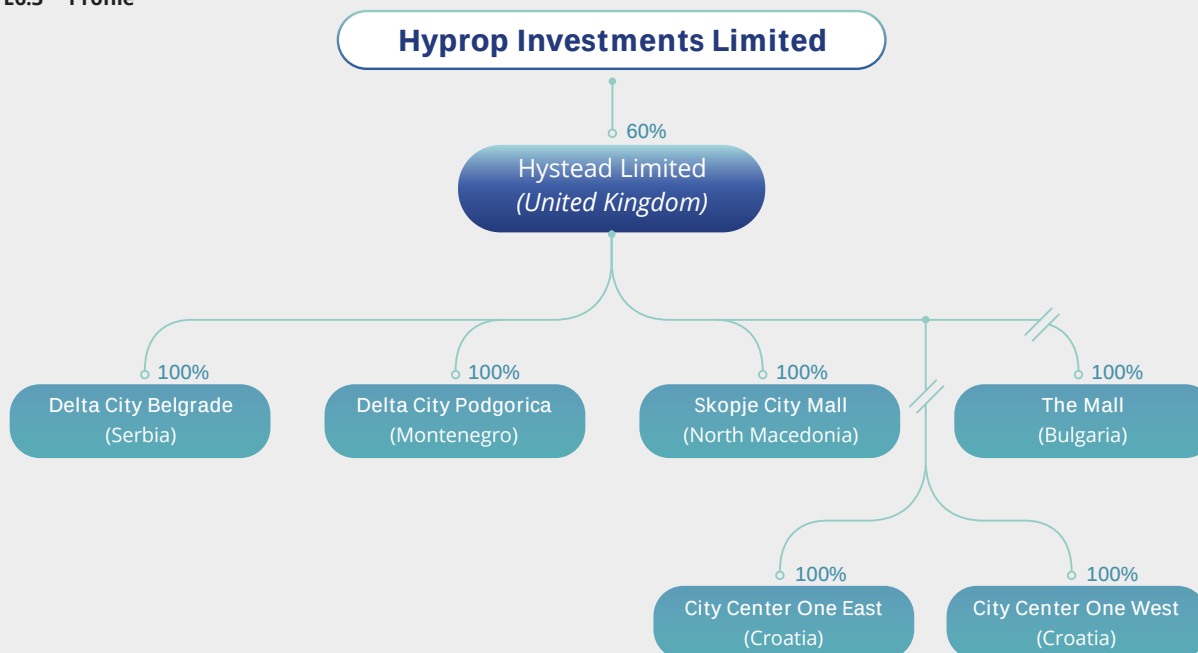
The key judgements and estimations which have an effect on the Group's investment in Hystead (which is classified as a financial asset) are set out below:

Control over an investee	Management assessed whether it has control over Hystead based on the suite of agreements which govern the relationship between the shareholders of Hystead and concluded that Hyprop has joint control of Hystead.
Classification as an equity accounted investment or financial instrument	<p>Management considered whether the investment in Hystead should be classified as a joint venture and be equity accounted, or based on the contractual right to receive dividends as a result of the provisions of the Hystead shareholders' agreement, should be classified as a financial asset.</p> <p>Based on the provisions of the suite of agreements which govern the relationship between the shareholders of Hystead, Hystead has a contractual obligation to pay all of its distributable income as a dividend to its shareholders each year. Accordingly, Hyprop accounts for the investment in Hystead as a financial asset.</p>
Valuation of financial asset and deferral of day-one gain	<p>The fair value of the right to receive dividends from Hystead has been valued based on the present value of the anticipated future cash flows (dividends).</p> <p>The valuation method includes assumptions derived from unobservable inputs. Management has therefore determined that the day-one gain should be deferred, however, the fair value movement subsequent to that date should be taken through profit or loss.</p>

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued*

E6. FINANCIAL ASSET *continued*

E6.3 Profile



E6.4 Carrying value and net movement for the year

		Group and Company	
	Note	30 June 2020 R'000	30 June 2019 R'000
Balance at the beginning of the year		218 444	152 556
Net change in fair value of future cash flows		314 528	65 888
- loans receivable capitalised		-	40 716
- new guarantees issued	H3.4	-	110 401
- fair value adjustment		314 528	(85 229)
Balance at the end of the year		532 972	218 444

E6.5 Gross movement for the year

	Group and Company	
	June 2020 R'000	June 2019 R'000
E6.5.1 Gross asset (A)		
Balance at the beginning of the year	4 504 991	3 891 691
Unrealised foreign exchange movement	933 815	25 558
Fair value adjustment through profit or loss	189 164	587 742
Subtotal (fair value) at the end of the year	5 627 970	4 504 991
New guarantees issued	-	110 401
Fair value adjustment through profit or loss	-	(110 401)
Balance at the end of the year	5 627 970	4 504 991
E6.5.2 Deferred gains (B)		
Balance at the beginning of the year	(4 286 547)	(3 770 115)
Unrealised foreign exchange movement	(888 535)	(24 760)
Fair value adjustment through profit or loss	80 084	(491 672)
Balance at the end of the year	(5 094 998)	(4 286 547)
E6.5.3 Fair value of financial asset (A-B)	532 972	218 444
Balance at the end of the year	532 972	218 444
E6.6 Movements through profit or loss		
Movement on financial asset	1 122 979	613 300
Movement on deferred gains on financial asset	(808 451)	(516 432)
Net movements on financial asset before guarantees	314 528	96 868
Less: Capital investments	-	(71 696)
Less: New guarantees issued	-	(110 401)
Total fair value adjustment to financial asset	314 528	(85 229)

E6.7 Valuation methodology

The Group performs an internal valuation of the financial asset based on the cash flows of the underlying investment property companies. The European investment properties are independently valued each December.

The following tables show the valuation techniques used in measuring the financial asset, as well as the significant unobservable inputs used:

Type	Valuation technique	Unobservable inputs	Movement in input	Effect on estimated fair value
Financial asset – Hystead	Discounted cash flow: The valuation is calculated as the present value of the anticipated future net cash flows expected to be generated by the underlying shopping centres after deducting the head office costs within the Hystead Group.	Annual growth rate	Increase	Increase
		Terminal growth rate	Decrease	Decrease
		Exit cap rate	Increase	Decrease
		Discount rate	Decrease	Increase
	The cash flow projections include specific estimates for 10 years (2019: 10 years). The expected net cash flows are discounted using a risk adjusted discount rate as well as a risk adjusted cap rate.			

E. PROPERTY INVESTMENTS AND RELATED ITEMS *continued***E6. FINANCIAL ASSET** *continued***E6.8 Valuation assumptions**

The key assumptions used in determining the fair value of the investment in Hystead are in the following ranges:

	Group and Company	
	June 2020 %	June 2019 %
Unobservable inputs		
Annual growth rate	1.3 to 18.1	(1.1) to 2.5
Weighted average annual growth rate	6.5	0.2
Terminal growth rate	-	1.8 to 2.3
Weighted average terminal growth rate	-	1.9
Discount rate	6.0 to 8.0	6.0 to 8.0
Weighted average discount rate	6.9	6.9
Exit capitalisation rate	5.0 to 7.3	5.0 to 7.3
Weighted average exit capitalisation rate	5.8	5.8

⁽¹⁾ Due to the impact of Covid-19 the financial performance of the Hystead Group was negatively impacted up to 30 June 2020. It is however anticipated that the financial performance will return to pre-Covid-19 levels in the short to medium-term. This is reflected in the increase in the annual growth rates and weighted average annual growth rates above.

⁽²⁾ Despite the impact of Covid-19, no changes were made to the discount and capitalisation rates used in the valuation of the financial asset, due to the relatively stable interest rate environment in Europe.

E6.9 Valuation sensitivity

The valuation of the investment in Hystead is sensitive to changes to the unobservable inputs. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of the investment in Hystead in the statement of profit or loss.

Input		Group and Company			
		June 2020 % change ⁽²⁾	June 2019 % change ⁽²⁾	June 2020 R'000	June 2019 R'000
Annual growth rate	Increase	0.5	0.5	96 653	96 070
	Decrease	0.5	0.5	(96 653)	(96 070)
Terminal growth rate	Increase	0.5	0.5	6 904	9 150
	Decrease	0.5	0.5	(6 904)	(9 150)
Exit capitalisation rate	Increase	0.5	0.5	(124 268)	(67 478)
	Decrease	0.5	0.5	124 268	67 478
Discount rate	Increase	0.5	0.5	(85 607)	(68 621)
	Decrease	0.5	0.5	85 607	68 621

⁽²⁾ The percentage change applied in each year is the possible change applicable to each input.

E7 ASSETS AND LIABILITIES HELD-FOR-SALE**E7.1 Accounting policy**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group.

Investment property classified as held-for-sale is measured in accordance with IAS 40: *Investment property* at fair value with gains or losses on subsequent disposal being recognised in profit or loss in the line profit/(loss) on disposal – investment property. Disposal groups and non-current assets held-for-sale are presented separately from other assets and liabilities in the statement of financial position.

E7.2 Summary of disposal group

In 2019 the Group reviewed its strategy, resulting in a revised three-year strategic plan. This led to a decision to exit the Group's sub-Saharan African investments. As a result the Group's interest in Gruppo (which owns 100% of the Ikeja City Mall in Lagos, Nigeria, and in which Hyprop has a 75% interest) was designated as held-for-sale. Gruppo is reported under the sub-Saharan African operating segment. Subsequent to 30 June 2020, key terms have been agreed for the disposal of Ikeja City Mall based on a valuation of \$115 million. See note O2.2 for details.

The carrying values of the assets and liabilities of Gruppo have been adjusted in line with the anticipated sale proceeds.

The Group's other sub-Saharan African interests comprise its investments and loans receivable from AttAfrica. It is anticipated that these interests will be realised by repayment of the loans receivable from the proceeds on disposal of the underlying investment properties. The loans receivable have been classified as short-term and are included in current assets.

E7.3 Maturity profile

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Non-current assets	2 009 115	1 985 653	-	-
Current assets	89 803	62 194	-	-
Total assets classified as held-for-sale less costs to sell	2 098 918	2 047 847	-	-
Borrowings - current liabilities (2019: non-current)	(1 312 286)	(1 056 562)	-	-
Other - current liabilities	(46 930)	(41 738)	-	-
Total liabilities associated with assets held-for-sale	(1 359 216)	(1 098 300)	-	-
Net assets classified as held-for-sale	739 702	949 547	-	-

E7.4 Movement for the year – assets

Balance at the beginning of the year	2 047 847	199 257	-	199 257
Disposals - Lakefield office park	-	(199 257)	-	(199 257)
Additions - Gruppo	51 071	2 047 847	-	-
Balance at the end of the year	2 098 918	2 047 847	-	-

E7.5 Movement for the year – liabilities

Balance at the beginning of the year	(1 098 300)	(8 157)	-	(8 157)
Disposals - Lakefield office park	-	8 157	-	8 157
Additions - Gruppo	(260 916)	(1 098 300)	-	-
Balance at the end of the year	(1 359 216)	(1 098 300)	-	-
Net assets classified as held-for-sale	739 702	949 547	-	-

F. OTHER ASSETS**F1 LOANS RECEIVABLE****F1.1 Accounting policy**

Loans receivable are carried at amortised cost using the effective interest method, less any accumulated expected credit losses. Interest earned on loans receivable is recognised on an accrual basis using the effective interest rate method, other than loans which are credit impaired (stage 3 loans) where interest is only accrued on the net balance (i.e. the outstanding balance less credit impairments).

A loan receivable is considered to be in default when the borrower is in breach of the terms of the loan agreement. A loan receivable is written off when there is no prospect of recovery of the amount and/or an agreement to this effect has been reached between the parties.

The expected credit losses associated with loans receivable carried at amortised cost are assessed on a forward-looking basis using the general model in terms of IFRS 9. The following 3 parameters are used to measure expected credit losses on loans receivable carried at amortised cost:

- the probability of default (PD),
- loss given default (LGD), and
- exposure at default (EAD)

F1.2 Key judgements and estimations

The key assumptions and estimates which have an effect on the Group's loans receivable are set out below.

Recovery of loans receivable	<p>The underlying investment properties in the Group's sub-Saharan Africa (excluding South Africa) portfolio have been negatively affected by the economic conditions of recent years and are producing lower investment returns than what was previously anticipated. In addition, during the prior year the Group reviewed its strategy which led to a decision to exit the Group's sub-Saharan Africa investments.</p> <p>The outbreak of Covid-19 in the current financial year has impacted real estate market globally and resulted in a decrease in the valuation of the underlying property assets of AttAfrica. The decrease in the net asset value of AttAfrica impacted the already credit impaired (stage 3) loan receivable.</p> <p>The shareholder loan to AttAfrica (and Manda Hill in 2019), which reflect Hyprop's share of the value of the underlying property investments at Group level, have therefore been impaired.</p> <p>Key estimates and judgements made in determining the expected credit losses were as follows:</p> <ul style="list-style-type: none"> - The decision to sell the underlying investments. - The anticipated market values at which the companies/properties may be sold. - The costs likely to be incurred in order to sell the companies/properties. - The conversion of the loans receivable to preference shares in AttAfrica during the year. - The expected realisation date of the loan. - The expected performance of the underlying investments. - The probability of the loan being restructured/refinanced beyond the current maturity dates. <p>In calculating the recoverable amount, no probability-weighted outcomes are used as the directors have assumed a 100% loss given default on the calculated shortfall.</p> <p>The loan receivable has been impaired to its expected recoverable amount.</p>
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F1.3 Net carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Non-current	-	18 847	29 108	72 450
EUR loans receivable	-	18 847	-	18 847
ZAR loans receivable from subsidiaries	-	-	29 108	53 603
Current	681 215	1 333 106	22 759	-
EUR loans receivable	22 759	-	22 759	-
USD loans receivable from AttAfrica	658 456	1 333 106	-	-
Total	681 215	1 351 953	51 867	72 450
Loan balances receivable	1 052 171	3 007 898	1 606 928	1 582 891
Cumulative expected credit losses	(370 956)	(1 513 433)	(1 555 061)	(1 510 441)
Cumulative fair value adjustments	-	(142 512)	-	-
Total	681 215	1 351 953	51 867	72 450

F. OTHER ASSETS *continued***F1. LOANS RECEIVABLE** *continued***F1.4 Loan details** ⁽¹⁾

	June 2020 FC000	June 2019 FC000	Group		Company	
			June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Non-current						
USD denominated loans receivable	-	USD 0	-	-	-	-
Hyprop Mauritius	-	USD 0	-	-	-	-
Loan balance	-	USD 1 770	-	-	25 052	25 052
Cumulative expected credit losses	-	(USD 1 770)	-	-	(25 052)	(25 052)
The loan is unsecured, bears interest at an agreed rate of 4.5% and is repayable on 12 months written notice.						
EUR denominated loans receivable	-	EUR 1 190	-	18 847	-	18 847
Vondelvlag Holding	-	EUR 1 040	-	16 431	-	16 431
The loan is unsecured, bears interest at 3.15% per annum, payable quarterly, and is repayable in April 2021.						
Vondelvlag Stichting	-	EUR 150	-	2 416	-	2 416
The loan is unsecured, bears interest at 3.15% per annum, payable quarterly, and is repayable in April 2021.						
ZAR denominated loans receivable	-	-	-	-	29 108	53 603
Hyprop Mauritius			-	-	-	-
Loan balance			-	-	1 491 146	1 485 389
Cumulative expected credit losses			-	-	(1 491 146)	(1 485 389)
The loan is unsecured and bears interest at rates agreed from time to time. Due to the financial difficulties faced by Hyprop Mauritius, including a decrease in the income received from its investment in AttAfrica, interest on the loans was suspended with effect from 16 October 2019. The loan has been subordinated in favour of the other creditors of Hyprop Mauritius.						
Hyprop Share Scheme			-	-	29 108	53 603
Loan balance			-	-	67 971	53 603
Cumulative expected credit losses			-	-	(38 863)	-
The loan is unsecured and bears interest at variable rates agreed from time to time. The loan has no fixed repayment terms. The loan is repaid at each vesting date primarily through the transfer of Hyprop shares held by Hyprop Share Scheme to Hyprop for delivery to employees under the conditional unit plan (CUP). Hyprop has subordinated a portion of the loan in favour of the other creditors of Hyprop Share Scheme and has agreed not to call for the repayment of the loan for at least 12 months.						
Total non-current loans receivable			-	18 847	29 108	72 450

⁽¹⁾ The loan terms detailed above apply to both financial years.

			Group		Company	
	June 2020 FC000	June 2019 FC000	June 2020 R'000	June 2019 R'000	June 2020 R'000	30 June 2019 R'000
Current						
USD denominated loans receivable	USD 37 992	USD 93 722	658 456	1 333 106	-	-
AttAfrica	USD 37 992	USD 64 315	658 456	909 967	-	-
Loan balance	USD 59 396	USD 171 281	1 029 412	2 423 400	-	-
Cumulative expected credit losses	(USD 21 404)	(USD 106 966)	(370 956)	(1 513 433)	-	-
The loan is unsecured and bears interest at a rate of 6.75% from 1 January 2020 (prior to 1 January 2020 8% per annum, escalating at 4% per annum). The loan is repayable on 30 June 2025 (2019: 30 June 2020). The Group's intention remains to realise the loan by selling the underlying AttAfrica shopping centre assets, or selling the shares and loan in AttAfrica. The loan is therefore reflected as a current asset due to the intention to realise the loan in the short-term.						
Manda Hill Mauritius	-	USD 29 407	-	423 139	-	-
Loan balance	-	USD 39 979	-	565 651	-	-
Cumulative expected credit losses	-	(USD 10 572)	-	(142 512)	-	-
The loan is unsecured, and bears interest at a variable rate which equates to Hyprop Mauritius' 50% share of distributable income from Manda Hill Mauritius. The Group sold its interest in Manda Hill during the year. The loan receivable was settled as part of the sale.						
EUR denominated loans receivable	EUR 1 190	-	22 759	-	22 759	-
Vondevlag Holding						
The loan is unsecured, bears interest at 3.15% per annum payable quarterly, and is repayable in April 2021.	EUR 1 040	-	19 841	-	19 841	-
Vondevlag Stichting						
The loan is unsecured, bears interest at 3.15% per annum payable quarterly, and is repayable in April 2021.	EUR 150	-	2 918	-	2 918	-
Total current loans receivable	-	-	681 215	1 333 106	22 759	-
Total loans receivable	-	-	681 215	1 351 953	51 867	72 450

F. OTHER ASSETS *continued*
F1. LOANS RECEIVABLE *continued*

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
F1.5	Movement for the year - Total loans receivable				
	Balance at the beginning of the year	3 007 898	3 177 570	1 582 891	127 935
	Settled through subscription for preference shares in AttAfrica	(1 768 661)	-	-	-
	Advances during the year	70 856	-	16 550	17 582
	Advances of shareholder loans receivable	-	-	-	1 486 633
	Repayments during the year	(669 396)	(224 517)	-	-
	Amounts capitalised	-	(40 716)	-	(48 139)
	Net interest accrued/(received)	29 744	-	1 623	(53)
	Non-cash vesting of shares	-	-	(3 805)	-
	Foreign currency translation	524 242	95 561	9 669	(1 067)
	Loan realised through disposal	(142 512)	-	-	-
	Net loans receivable at the end of the year	1 052 171	3 007 898	1 606 928	1 582 891
		Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
F1.6	Movement for the year - Expected credit losses				
	Balance at the beginning of the year	(1 513 433)	(166 441)	(1 510 441)	-
	Expected credit losses raised during the year	(289 974)	(1 350 727)	(44 620)	(1 510 441)
	Currency translation adjustment	(336 210)	3 735	-	-
	Reversal on subscription for preference shares in AttAfrica	1 768 661	-	-	-
	Balance at the end of the year	(370 956)	(1 513 433)	(1 555 061)	(1 510 441)
F1.7	Movement for the year - Cumulative fair value adjustments				
	Balance at the beginning of the year	(142 512)	(36 703)	-	-
	Fair value adjustment during the year	-	(105 809)	-	-
	Fair value realised through disposal	142 512	-	-	-
	Balance at the end of the year	-	(142 512)	-	-
F1.8	Net loans receivable	681 215	1 351 953	51 867	72 450

F2 TRADE AND OTHER RECEIVABLES

F2.1 Accounting policy

Trade and other receivables are carried at amortised cost less any accumulated expected credit losses. Short-term receivables are measured at original invoice amount when the effect of discounting is immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, insolvency or significant financial difficulties of the tenant, default on payment terms and vacation or abandonment of the leased premises. Impaired debts are derecognised when all reasonable efforts to collect the amounts outstanding have failed and they are assessed as uncollectible.

Trade receivables are considered to be in default when the debtor is in breach of the terms of their lease.

F2.2 Key judgements and estimations

Trade receivables have been assessed for impairment based on lifetime expected credit losses using the simplified approach permitted by IFRS 9. An estimate is made of credit losses based on a review of all outstanding amounts at year end.

The expected credit losses are based on the payment profiles of trade receivables and take into account the known financial circumstances of each tenant. The expected losses are adjusted for macroeconomic conditions which may affect the tenants ability to pay as well as tenant-specific factors including:

- historical defaults on payment terms,
- known insolvency and
- the legal status of the receivables.

The impact of Covid-19 on the economies in which the Group operated has had a negative effect on many of the Group's tenants' businesses and resulted in a significant increase in the expected credit losses. Forward-looking information on economic and industry factors such as industry outlook, employment, trading conditions, Covid-19 related restrictions and lockdowns and GDP informs the probability of default going forward.

F2.3 Net carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Rent and deposits receivable	155 186	37 442	155 186	37 442
Provision for expected credit losses	(57 226)	(26 795)	(57 226)	(26 795)
Municipal recoveries	48 704	56 629	48 704	56 629
Dividend receivable	-	16 278	-	16 278
Credit enhancement fee receivable	-	2 984	-	2 984
Prepayments	2 337	6 168	2 337	6 168
Municipal deposits	1 459	3 010	1 459	3 010
Receivables relating to related parties	1 981	922	1 981	922
Other receivables	2 107	8 987	1 575	7 896
Total	154 548	105 625	154 016	104 534
Gross trade and other receivables	211 774	132 420	211 242	131 329
Cumulative expected credit losses	(57 226)	(26 795)	(57 226)	(26 795)
Total	154 548	105 625	154 016	104 534

F. OTHER ASSETS *continued***F3 CASH AND CASH EQUIVALENTS****F3.1 Accounting policy**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost. Interest earned on cash invested at financial institutions is recognised on an accrual basis using the effective interest method.

F3.2 Net Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Cash held in call accounts as security for bank guarantees in favour of municipalities	14 394	13 599	14 394	13 599
Bank balances and cash	820 483	1 271 738	711 968	1 048 813
Total	834 877	1 285 337	726 362	1 062 412

F4 OTHER INVESTMENTS**F4.1 Profile**

As part of Edcon's restructuring in March 2019, Edcon approached its top 31 landlords and offered the landlords an opportunity to subscribe for an equity interest (comprising A Class ordinary shares in Edcon and Tranche C mandatory convertible instruments) (Edcon Equity) or, as an alternative, requested a 40.9% reduction in rentals for a 24-month period commencing on 1 April 2019 (the Edcon rent reduction).

Hyprop agreed to assist Edcon by subscribing for equity in Edcon on a monthly basis for an amount equivalent to the monthly Edcon rent reduction, a total of R45 million in the current year (R 12 million from 1 April 2019 to 30 June 2019) (the Edcon subscription).

In April 2020 Edcon filed for business rescue citing the loss of revenue due to Covid-19 as the main reason. The business rescue practitioners' plan was approved by the creditors of Edcon on 22 June 2020. The plan is based on a successful sale of the remaining Edcon brands, the process of which is still ongoing. Depending on the proceeds realised through the sale of the Edcon brands, holders of the Edcon Equity may receive a liquidation distribution from Edcon.

The directors consider it prudent to adjust the fair value of the investment in the Edcon Equity to zero until there is certainty on any liquidation distribution or other recovery of this investment. Accordingly, the investment in Edcon has been fully impaired at 30 June 2020 and 30 June 2019. Distributable income for the year has also been reduced by R45 million (2019: R12 million), as a consequence of the reduction in net cash flow received from Edcon pursuant to the Edcon rent reduction/Edcon subscription.

F4.2 Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Cost of Edcon equity	57 877	12 705	57 877	12 705
Accumulated impairments	(57 877)	(12 705)	(57 877)	(12 705)
Total	-	-	-	-

G. EQUITY AND RESERVES

G1 SHARE CAPITAL AND TREASURY SHARES

G1.1 Accounting policy

Stated capital	Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from equity.
Treasury shares	<p>Company shares held by Hyprop Share Scheme that have not yet vested are classified as treasury shares on consolidation. These shares are carried at cost and deducted from equity.</p> <p>Any subsequent gain or loss on the sale or cancellation of the Company's own equity instruments is recognised directly in equity.</p> <p>Distributions and unrealised losses on own shares are eliminated from Group profit or loss for the year.</p>

G1.2 Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Stated capital				
Ordinary shares	8 462 327	8 462 327	8 462 327	8 462 327
Balance at the beginning of the year	8 462 327	8 462 327	8 462 327	8 462 327
Issued during the year	-	-	-	-
Treasury shares	(75 296)	(54 932)	-	-
Balance at the beginning of the year	(54 932)	(43 423)	-	-
Purchase during the year ⁽¹⁾	(26 019)	(17 569)	-	-
Vested during the year	5 655	6 060	-	-
Balance at the end of the year	8 387 031	8 407 395	8 462 327	8 462 327

G1.3 Number of shares

	Group		Company	
	June 2020 # of shares	June 2019 # of shares	June 2020 # of shares	June 2019 # of shares
Authorised				
500 000 000 no par value ordinary shares (2019: 500 000 000)				
Issued and fully paid up shares				
Ordinary shares	255 894 516	255 894 516	255 894 516	255 894 516
Balance at the beginning of the year	255 894 516	255 894 516	255 894 516	255 894 516
Issued during the year	-	-	-	-
Treasury shares	(1 649 191)	(611 519)	-	-
Balance at the beginning of the year	(611 519)	(446 260)	-	-
Purchased during the year ⁽¹⁾	(1 100 400)	(252 000)	-	-
Vested during the year	62 728	86 741	-	-
Net number of shares in issue at the end of the year	254 245 325	255 282 997	255 894 516	255 894 516

⁽¹⁾ Purchased (at an average price of R23.58 per share (2019: R67.72)) during the year by Hyprop Share Scheme and held as treasury shares to hedge Hyprop's obligation to deliver Hyprop shares to employees under the CUP.

G. EQUITY AND RESERVES *continued***G2 RESERVES****G2.1 Accounting policy**

Non-distributable reserves	The non-distributable reserves relate to items that are not distributable to shareholders, such as fair value adjustments on the revaluation of investment property and derivatives, any impairment adjustments or accumulated expected credit losses, share-based payment transactions, profit or loss on sale of assets, the straight-line lease income adjustment, deferred taxation and reserves attributable to the non-controlling shareholders.
Currency translation reserve	<p>The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's presentation currency (Rand) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at the dates of the transactions (an average rate for the year is used).</p> <p>Foreign currency translation differences are recognised in other comprehensive income (OCI) and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest (NCI).</p>

G2.2 Carrying value

The following table reflects the composition of non-distributable reserves:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Revaluation reserves	11 908 436	16 322 939	11 984 199	16 025 588
Investment property	11 605 924	16 051 918	11 499 472	15 646 280
Listed property securities	616 759	616 759	616 759	616 759
Financial asset	153 207	(161 321)	153 207	(161 321)
Other investment	(57 877)	(12 705)	(57 877)	(12 705)
Loans receivable	(105 809)	(105 809)	-	-
Financial guarantees	(16 665)	-	54 497	-
Derivative instruments	(287 103)	(65 903)	(281 859)	(63 425)
Derecognition of financial guarantees ⁽¹⁾	197 670	197 670	492 899	492 899
Realised gains/(losses) on disposals	331 551	331 551	469 239	469 239
Investment property	171 209	171 209	171 209	171 209
Listed property securities	276 630	276 630	276 630	276 630
Subsidiaries	(131 010)	(131 010)	-	-
Associate	17 431	17 431	21 400	21 400
Shares	(2 709)	(2 709)	-	-
Non-distributable reserves of associate	125 344	125 344	121 374	121 374
Impairment of goodwill	(577 847)	(577 847)	25 400	25 400
Gain on bargain purchase (African Land)	191 235	191 235	-	-
Impairment of loans receivable	(1 832 521)	(1 542 545)	(1 556 724)	(1 512 106)
Impairment of other assets	(29 964)	(29 964)	(908 838)	(510 818)
Balance at the end of the year	10 313 904	15 018 383	10 627 549	15 111 577

⁽¹⁾ The derecognition of financial guarantees in prior years was accounted for through profit and loss. Subsequently the amounts in retained earnings were transferred to a non-distributable reserve. There have been no movements in the current year.

H. FUNDING AND RELATED ITEMS

H1 BORROWINGS

H1.1 Accounting policy

Interest-bearing borrowings are initially measured at fair value, net of transaction costs. Interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method (see note D4.1 for the accounting policy for borrowings cost).

H1.2 Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Profile				
Secured bank loans	4 153 233	5 012 217	1 158 693	1 558 308
Debt capital market (DCM) funding	3 340 490	3 099 476	3 340 490	3 099 476
Secured	499 533	-	499 533	-
Unsecured	2 840 957	3 099 476	2 840 957	3 099 476
Shareholder loans	356 623	273 670	761 124	761 125
Total borrowings	7 850 346	8 385 363	5 260 307	5 418 909
Maturity profile				
Non-current	4 074 183	6 320 801	4 835 307	4 410 909
Bank loans	1 158 693	4 029 325	1 158 693	1 358 308
DCM funding	2 915 490	2 291 476	2 915 490	2 291 476
Non-controlling shareholder/subsidiary	-	-	761 124	761 125
Current	2 463 877	1 008 000	425 000	1 008 000
Bank loans	2 038 877	200 000	-	200 000
DCM funding	425 000	808 000	425 000	808 000
Liabilities associated with assets held-for-sale	1 312 286	1 056 562	-	-
Total borrowings	7 850 346	8 385 363	5 260 307	5 418 909
H1.3 Movement reconciliation				
Opening balance at 1 July	8 385 363	7 884 994	5 418 909	3 710 403
Foreign exchange movement	608 406	161 448	-	-
New borrowings raised during the year	1 247 982	1 708 077	1 247 982	1 708 077
Raising fees - amortised	1 435	429	1 436	429
Repayments during the year	(2 469 969)	(1 414 851)	(1 408 020)	-
Net interest accrued	78 416	25 862	-	-
Fair value adjustment	(1 287)	19 404	-	-
Balance at the end of the year	7 850 346	8 385 363	5 260 307	5 418 909

H. FUNDING AND RELATED ITEMS *continued***H1.4 Individual facilities**

Group													Company	
	Facility	Maturity date	Initial term	Security	Base currency	Interest rate at 30 June 2020 %	Interest rate at 30 June 2019 %	Nominal interest rate %	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000		
Bank loans														
Rand Merchant Bank	R200m	Nov 2019	5 years	Secured	ZAR	-	8.52	3-month JIBAR + 1.5	-	200 000	-	200 000		
	R400m	Sep 2022	7 years	Secured	ZAR	-	8.57	3-month JIBAR + 1.55	-	399 649	-	399 649		
	R959m	Jun 2023	4 years	Secured	ZAR	5.56	8.67	3-month JIBAR + 1.65	958 885	958 658	958 885	958 658		
	R500m ⁽³⁾	Jun 2023	4 years	Secured	ZAR	5.81	8.81	Prime less 1.44	-	1	-	1		
	R200m ⁽³⁾	Mar 2022	2 years	Secured	ZAR	5.41	-	3-month JIBAR + 1.6	199 808	-	199 808	-		
	USD23m	May 2021	3 years	Secured	USD	3.39	4.82	LIBOR +2.3	316 318	247 577	-	-		
	USD111m	Aug 2020	5 years	Secured	USD	4.02	4.37	LIBOR +2.47 (fixed)	821 337	1 574 518	-	-		
	USD60m	Oct 2020	3 years	Secured	USD	3.64	4.82	LIBOR +2.24	901 222	848 922	-	-		
	USD31.6m	Jan 2021	3 years	Secured	USD	7.01 and 6.01	8.83 and 7.83	⁽²⁾	546 418	447 632	-	-		
	USD23.7m	Jan 2021	3 years	Secured	USD	7.01 and 6.01	8.83 and 7.83	⁽²⁾	409 245	335 260	-	-		
Total bank loans									4 153 233	5 012 217	1 158 693	1 558 308		
DCM funding														
HILB04	R450m	Nov 2019	6 years	Unsecured	ZAR	-	8.56	3-month JIBAR + 1.54	-	450 000	-	450 000		
HILB05	R358m	Jul 2019	3 years	Unsecured	ZAR	-	8.71	3-month JIBAR + 1.69	-	358 000	-	358 000		
HILB06	R425m	Jul 2020	4 years	Unsecured	ZAR	5.70	8.81	3-month JIBAR + 1.79	425 000	424 947	425 000	424 947		
HILB07	R317m	Jul 2021	5 years	Unsecured	ZAR	5.81	8.92	3-month JIBAR + 1.90	316 970	316 937	316 970	316 937		
HILB08	R452m	Mar 2023	5 years	Unsecured	ZAR	5.51	8.62	3-month JIBAR + 1.60	451 876	451 831	451 876	451 831		
HILB09	R348m	Mar 2025	7 years	Unsecured	ZAR	5.61	8.92	3-month JIBAR + 1.90	347 882	347 856	347 882	347 856		
HILB10	R250m	Mar 2022	3.5 years	Unsecured	ZAR	5.35	8.46	3-month JIBAR + 1.44	249 940	249 905	249 940	249 905		
HILB11	R150m	Mar 2024	5 years	Unsecured	ZAR	5.66	8.77	3-month JIBAR + 1.75	149 944	150 000	149 944	150 000		
HILB12	R350m	Mar 2024	5 years	Unsecured	ZAR	5.61	8.72	3-month JIBAR + 1.70	349 870	350 000	349 870	350 000		
HILB13	R100m	Dec 2021	1.5 years	Unsecured	ZAR	5.96	-	3-month JIBAR + 2.05	100 000	-	100 000	-		
HIL03U	R500m	Nov 2022	3 years	Secured	ZAR	5.41	-	3-month JIBAR + 1.5	499 533	-	499 533	-		
HIL02U	R450m	Oct 2022	3 years	Unsecured	ZAR	5.41	-	3-month JIBAR + 1.5	449 475	-	449 475	-		
Total DCM funding									3 340 490	3 099 476	3 340 490	3 099 476		
Shareholder funding														
African Land (Pty) Ltd		⁽⁴⁾		Unsecured	ZAR				-	-	761 124	761 125		
AIH International Ltd ⁽¹⁾		Mar 2021		Unsecured	USD	10.08	10.08		356 623	273 670	-	-		
Total borrowings									7 850 346	8 385 363	5 260 307	5 418 909		
Undrawn facilities														
Total Group/Company undrawn facilities at year end amount to:														
The secured loans above are secured against investment property as set out in note E1.8 – <i>Mortgaged properties</i> . Interest on all loans is paid monthly or quarterly as applicable. Capital is repayable on the loan maturity date.														
									R500m	R500m	R500m	R500m		

⁽¹⁾ Loans disclosed under liabilities associated with assets held-for-sale.⁽²⁾ Facility A: 3-month LIBOR+6.25; facility B: 3-month LIBOR+5.25.⁽³⁾ Revolving credit facility⁽⁴⁾ The African Land loan is repayable on a minimum of 12 months' written notice.

H2 DERIVATIVES

H2.1 Accounting policy

Derivatives are initially measured at fair value and are subsequently remeasured at fair value. Any directly attributable transaction costs are recognised in profit or loss as incurred.

Derivative instruments comprise interest rate swaps, exchange rate zero cost collars (put and call options) and forward exchange contracts. The interest rate swaps are used to hedge interest rate exposure on long-term debt facilities and corporate bonds. Zero cost collars are used to hedge the exchange rate in anticipation of receipt of dividends from Hystead and Hyprop Mauritius. Forward exchange contracts are used to hedge amounts committed to recapitalise Hyprop Mauritius and anticipated dividends from Hystead.

Further disclosure on the designation of the interest rate swaps and their risk mitigation role is provided in note M3 – *Interest rate risk and sensitivity*.

H2.2 Net carrying value

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Currency collars and forward exchange contracts	H2.4	(32 019)	3 310	(32 019)	3 310
Interest rate swaps	H2.5	(253 630)	(67 563)	(249 840)	(66 734)
Total derivatives		(285 649)	(64 253)	(281 859)	(63 424)

H2.3 Maturity profile

Non-current assets	-	619	-	619
Current assets	-	2 691	-	2 691
Non-current liabilities	(233 669)	(60 224)	(233 669)	(59 408)
Current liabilities	(51 980)	(7 339)	(48 190)	(7 326)
Total derivatives	(285 649)	(64 253)	(281 859)	(63 424)

H2.4 Currency collars and forward exchange contracts

H2.4.1 Net carrying value

Non-current assets	-	619	-	619
Current assets	-	2 691	-	2 691
Non-current liabilities	(3 693)	-	(3 693)	-
Current liabilities	(28 326)	-	(28 326)	-
Total derivatives	(32 019)	3 310	(32 019)	3 310

H2.4.2 Movement reconciliation

Opening balance at 1 July	3 310	(1 722)	3 310	(1 722)
New contracts entered into	(30 622)	3 310	(30 622)	3 310
Contracts utilised	(2 691)	1 722	(2 691)	1 722
Fair value adjustment	(2 016)	-	(2 016)	-
Balance at the end of the year		(32 019)	(32 019)	3 310

H. FUNDING AND RELATED ITEMS *continued***H2. DERIVATIVES** *continued***H2.4 CURRENCY COLLARS AND FORWARD EXCHANGE CONTRACTS** *continued***H2.4.3 Individual instruments**

Counter-party bank	Type of instrument	Expiry date	Currency	Nominal value '000	Group		Company	
					June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
RMB	Currency collar	Sep 2019	EUR	2 400	-	819	-	819
RMB	Currency collar	Jan 2020	EUR	2 000	-	580	-	580
RMB	Currency collar	Jan 2020	EUR	2 000	-	660	-	660
RMB	Currency collar	Apr 2020	EUR	2 000	-	632	-	632
RMB	Currency collar	Jul 2020	EUR	2 000	(1 397)	619	(1 397)	619
RMB	Currency collar	Jul 2020	EUR	2 000	(4 082)	-	(4 082)	-
ABSA	Participation forward (net)	Jul 2020	USD	25 000	(4 765)	-	(4 765)	-
ABSA	Forward exchange contract	Aug 2020	USD	45 000	(2 925)	-	(2 925)	-
RMB	Currency collar	Sep 2020	EUR	3 350	(7 334)	-	(7 334)	-
ABSA	Forward exchange contract	Feb 2021	EUR	2 100	(3 972)	-	(3 972)	-
ABSA	Currency collar	Apr 2021	EUR	2 100	(3 851)	-	(3 851)	-
ABSA	Currency collar	Jul 2021	EUR	2 100	(3 693)	-	(3 693)	-
Total currency collars and forward exchange contracts					(32 019)	3 310	(32 019)	3 310
H2.5 Interest rate swaps								
H2.5.1 Net carrying value								
Non-current liabilities					(229 976)	(60 224)	(229 976)	(59 408)
Current liabilities					(23 654)	(7 339)	(19 864)	(7 326)
Total interest rate swaps					(253 630)	(67 563)	(249 840)	(66 734)
H2.5.2 Movement reconciliation								
Opening balance at 1 July					(67 563)	(16 676)	(66 734)	(24 113)
Foreign exchange movement					(196)	3 684	-	-
New contracts entered into					-	(5 931)	-	(5 931)
Contracts utilised/expired					7 326	(554)	7 326	278
Fair value adjustment					(193 197)	(48 086)	(190 432)	(36 968)
Balance at the end of the year					(253 630)	(67 563)	(249 840)	(66 734)

H2.5.3 Individual instruments

Counterparty Bank	Nominal amount	Expiry date	Fixed rate payable %	Variable rate receivable	Group		Company	
					June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Standard Bank	R100m	Nov 2019	8.04	3-month JIBAR	-	(496)	-	(496)
Standard Bank	R100m	Feb 2020	8.50	3-month JIBAR	-	(1 148)	-	(1 148)
Standard Bank	R450m	Oct 2020	7.85	3-month JIBAR	(8 171)	(6 903)	(8 171)	(6 903)
Standard Bank	R958m	Jun 2023	7.04	3-month JIBAR	(79 402)	(4 814)	(79 402)	(4 814)
Standard Bank	R300m	Oct 2023	7.82	3-month JIBAR	(34 550)	(10 127)	(34 550)	(10 127)
Standard Bank	R100m	May 2024	7.85	3-month JIBAR	(12 129)	(3 455)	(12 129)	(3 455)
Standard Bank	R350m	Mar 2024	7.52	3-month JIBAR	(37 084)	(7 348)	(37 084)	(7 348)
Standard Bank	R150m	Mar 2024	7.52	3-month JIBAR	(15 893)	(3 149)	(15 893)	(3 149)
RMB	R200m	Sep 2019	7.73	3-month JIBAR	-	(337)	-	(337)
Nedbank	R250m	Jan 2020	8.54	3-month JIBAR	-	(2 905)	-	(2 905)
Nedbank	R250m	Jan 2020	8.29	3-month JIBAR	-	(2 440)	-	(2 440)
Nedbank	R500m	Jan 2021	7.43	3-month JIBAR	(11 694)	(5 500)	(11 694)	(5 500)
Nedbank	R500m	Sep 2021	7.61	3-month JIBAR	(24 404)	(9 015)	(24 404)	(9 015)
Nedbank	R500m	Oct 2021	7.55	3-month JIBAR	(26 513)	(9 097)	(26 513)	(9 097)
Standard Bank	USD 27.1m	Oct 2020	2.11	3-month LIBOR	(3 790)	(817)	-	-
RMB	USD 4.98m	May 2020	2.10	3-month LIBOR	-	(13)	-	-
Total interest rate swaps					(253 630)	(67 563)	(249 840)	(66 734)

H2.6 Valuation assumptions - unobservable inputs

	Group	Company
	June 2020	June 2020
The key assumptions used in determining the fair value of derivatives are in the following ranges:		
USD revaluation rate	R17.39/USD - R17.49/USD	R17.39/USD - R17.49/USD
EUR revaluation rate	R19.47/EUR - R20.00/EUR	R19.47/EUR - R20.00/EUR
Projected forward interest rate (JIBAR)	3.5% - 6.7%	3.5% - 6.7%
Projected forward interest rate (LIBOR)	0.3% - 0.8%	n/a

H2.7 Valuation sensitivity

	June 2020 % change	Group	Company
		June 2020 R'000	June 2020 R'000
Currency collars and forward exchange contracts			
Increase in Delta	25%	(230 154)	(230 154)
Decrease in Delta	25%	359 279	359 279
Interest rate swaps			
Increase in projected forward interest rate	25%	81 645	81 645
Decrease in projected forward interest rate	25%	(81 266)	(81 266)

H. FUNDING AND RELATED ITEMS *continued***H3 FINANCIAL GUARANTEES****H3.1 Accounting policy**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument. Liabilities under financial guarantees are recognised initially at fair value and subsequently at the higher of the loss allowance determined in accordance with IFRS 9 (see note M5.2.3.1) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: *Revenue from contracts with customers*.

Management assessed the obligations under the guarantees and concluded that these meet the definition of financial guarantees, and the change in fair value of the guarantees represents a charge to profit or loss.

H3.2 Key judgements and estimations

Valuation of financial guarantees	<p>The guarantees issued by Hyprop are recognised as financial liabilities on the statement of financial position at the higher of the day-one fair value or ECL value.</p> <p>The fair value of the financial guarantees have been calculated by independent advisers as follows:</p> <p>Contractual future cash flows related to each loan were calculated and then multiplied by an appropriate probability of default (PD) and loss given default (LGD). The amounts were then discounted (using risk-free rates) to either the inception date of the exposure or the valuation date (30 June 2020) to obtain the day-one fair value or expected credit loss (ECL) at 30 June 2020 respectively.</p> <p>In determining the ECL for the financial guarantee, an adjustment to the credit risk profile of the entities was considered given the economic effects of the Covid-19 pandemic. This was performed by first determining the historic GDP and associated corporate default probabilities, and then applying the forecasted GDP for 2020 per country to project the expected probability of default (PD). The resultant PD's therefore incorporate forward looking macro-economic information.</p> <p>For the ECL calculations, these can be calculated for either a 12-month period (stage 1) or lifetime (stage 2). Depending on the stage or exposure, the relevant ECL value is compared to the day-one fair value. Due to the difficult market conditions affecting the real estate environment globally and the impact of Covid-19, the current lifetime (stage 2) ECL has been used as the valuation basis and compared to the day-one fair values. The credit rating of the underlying entities were assumed as one notch lower than Hyprop's credit rating.</p> <p>Disclosure of the sensitivity of the valuations of the financial guarantees to changes in the underlying assumptions is included in note H3.7 - <i>Valuation sensitivity</i>.</p>
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H3.3 Profile

The Company has provided guarantees to banks that have provided funding to Hyprop Mauritius (a wholly owned subsidiary) and Hystead. The guarantees are secured by mortgage bonds over certain of the Company's South African investment properties as disclosed in note E1.8 – *Mortgaged properties*. Details of the secured loans are disclosed in note H1.4.

H3.3.1 USD guarantees

On consolidation the USD guarantees are eliminated as the underlying loans are reflected on the statement of financial position.

H3.3.2 EUR guarantees

Hyprop and PDI Investment Holdings Limited (PDI) have guaranteed EUR 401.5 million of loans advanced by banks to Hystead as follows:

Hyprop	EUR 361.5 million (June 2019: EUR 360.8 million)
PDI	EUR 40 million (June 2019: EUR 40 million)

PDI has provided back-to-back guarantees to Hyprop for a further EUR 46.8 million (2019: EUR 46.8 million) (equivalent to 11.7% of the EUR 401.5 million (2019: EUR 400.8 million) guaranteed debt).

For the EUR 73.5 million of debt (2019: EUR 73.2 million) (18.3% of the EUR 401.5 million (2019: EUR 400.8 million) guaranteed debts) which Hyprop has guaranteed in excess of its pro rata 60% interest in Hystead, Hyprop receives 60% of the related dividends declared to PDI from Hystead, which equates to 11% (60% x 18.3%) of the dividends paid by Hystead, as a guarantee fee (the credit enhancement fee). This agreement is in place until May 2021.

The total guarantee fee earned during the year is detailed below:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Guarantee fee income	22 111	40 542	22 111	40 542

H3.4 Carrying value

Guarantees in respect of Hyprop Mauritius	-	-	114 861	186 023
Guarantees in respect of Hystead	127 066	110 401	127 066	110 401
Total financial guarantees	127 066	110 401	241 927	296 424

H3.5 Maturity profile

Non-current liabilities	127 066	110 401	127 066	296 424
Current liabilities	-	-	114 861	-
Total financial guarantees	127 066	110 401	241 927	296 424

H3.6 Movement reconciliation

Opening balance at 1 July	110 401	185 686	296 424	388 508
New guarantees issued	-	110 401	-	110 401
Increase / (decrease) in fair value	16 665	-	(54 497)	16 294
Derecognition of guarantee cancelled	-	(185 686)	-	(218 779)
Balance at the end of the year	127 066	110 401	241 927	296 424

The decrease in the financial liability for guarantees given on behalf of Hyprop Mauritius is due to repayment of a portion of the guaranteed loans during the year.

H. FUNDING AND RELATED ITEMS *continued***H3. FINANCIAL GUARANTEES** *continued***H3.7 Valuation assumptions - unobservable inputs**

	Group and Company June 2020 EUR IOS and USD IOS	Group and Company June 2019 EUR IOS and USD IOS
Risk-free rate		
Data used for probability of default	Publically available IMF data and management input	Market traded instruments
Loss given default (%)	Between 20% and 30% for EUR guarantees and between 30% and 40% for USD guarantees	20% for EUR and USD guarantees
Credit rating	BB+ to BBB-	BB+ to BBB

H3.8 Valuation sensitivity

The valuation of the financial guarantees is sensitive to changes to the unobservable inputs. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the carrying value of the financial guarantees on the statement of financial position.

The USD based guarantees all take into account the negative net asset value of the underlying entity (Hyprop Mauritius). Due to the negative net asset value of Hyprop Mauritius being greater than the changes under the sensitivity testing, the valuation of the guarantees given on behalf of Hyprop Mauritius are not affected by the changes in the unobservable inputs and all sensitivity fluctuations relate to the EUR based guarantees.

	Group and Company June 2020 R'000
Change in credit risk	
One notch better credit risk than Hyprop	(49 287)
One notch worse credit risk than Hyprop	32 533

H4 COVENANTS AND CAPITAL MANAGEMENT

H4.1 External restrictions

In terms of the agreements between the Group and the financial institutions who have granted loans to the Group, the Group is required to maintain certain key financial ratios (covenants). If a covenant is breached on or before the reporting date, the affected loans should be classified as current if the Group does not have the right to defer settlement for at least 12 months after the reporting date.

Summary of the Group's key covenants and their status

Covenant	Benchmark range (2020/2019)	Reported as	June 2020	Status	June 2019	Status
Loan to value ratio	A maximum of 50% / 50% to 60%	Percentage	42.4 - 49.5	✓	18.0 - 40.0	✓
Secured portfolio loan to value ratio	A maximum of 65% to 70% / 55% to 70%	Percentage	59.2 - 65.5	✓	12.5 - 49.0	✓
Net asset value	A minimum of R7.5 billion	Rbn	18.5	✓	22.9	✓
Interest cover ratio (EBITDA/interest expense)	A minimum of 1.75 to 2 times cover	Times	2.7 - 3.0	✓	3.6 - 6.3	✓
Secured portfolio interest cover ratio	A minimum of 1.75 to 1.8 / 1.75 to 2 times cover	Times	2.0 - 5.0	✓	3.1 - 5.9	✓

The Group complied with all of its loan covenants during the current and preceding financial years.

H4.2 Internal restrictions

Hyprop's capital management objective is to maintain a strong capital base to provide sustainable returns to shareholders over the long-term. The Company's borrowings are not limited by its Memorandum of Incorporation. However, in terms of the JSE listings requirements a REIT's total consolidated borrowings may not exceed 60% of its consolidated gross asset value, as reflected in its latest published financial statements or results. Should the 60% threshold be exceeded, Hyprop may lose its REIT status under the JSE rules.

Hyprop's (theoretical) unutilised borrowing capacity can be summarised as follows:

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Total consolidated assets/gross asset value		28 959 704	33 653 572	26 880 655	30 857 940
60% of gross asset value		17 375 822	20 192 143	16 128 393	18 514 764
Total consolidated borrowings	H1.4	(7 850 346)	(7 328 801)	(5 260 307)	(5 418 909)
Unutilised borrowing capacity		9 525 476	12 863 342	10 868 086	13 095 855

I. OTHER LIABILITIES**I1 DEFERRED TAXATION****I1.1 Accounting policy**

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit
- Goodwill that arises on initial recognition in a business combination, and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date.

The effect of any changes in taxation rates on deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

I1.2 Key judgements and estimations

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for anticipated tax obligations based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

I1.3 Carrying value

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Arising on:				
Wear and tear claims on investment property and property, plant and equipment	173 320	165 683	173 320	165 683
Taxation loss brought forward	(78 122)	(78 122)	(78 122)	(78 122)
Total deferred taxation	95 198	87 561	95 198	87 561

I1.4 Movement reconciliation

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Balance at the beginning of the year	87 561	178 002	87 561	85 832
Currency translation reserve adjustment	-	3 014	-	-
Movement through profit or loss	7 637	(93 455)	7 637	1 729
Building appurtenances and tenant installations	7 637	10 440	7 637	9 894
Reversal of wear and tear allowances on asset sales	-	(8 510)	-	(8 510)
Fair value of investment property - Gruppo	-	(13 252)	-	-
Prior year deferred taxation adjustment	-	345	-	345
Unutilised losses carried forward	-	(52 142)	-	-
Fair value adjustment on convertible loans - Gruppo	-	(23 323)	-	-
Rent and other receivables - Gruppo	-	(7 013)	-	-
Balance at the end of the year	95 198	87 561	95 198	87 561

I1.5 Tax rates used

South Africa - temporary differences (%)	28	28	28	28
Nigeria - temporary differences (%)	30	30	-	-
Nigeria - investment property (%)	10	10	-	-

I2 TRADE AND OTHER PAYABLES**I2.1 Accounting policy**

Trade and other payables are measured at amortised cost. Short-term payables are measured at the original invoice amount as the effect of discounting is immaterial.

I2.2 Carrying value

Trade payables and accrued expenses	132 342	83 421	122 042	84 561
Tenant deposits	84 934	80 218	84 934	80 218
Gift cards	34 594	17 885	34 594	17 885
Interest payable	39 485	67 667	34 993	58 042
Rent received in advance	57 338	64 829	57 338	64 829
Value added tax (VAT)	8 030	18 601	8 030	18 601
Municipal provisions	111 876	95 645	111 876	95 645
Employee provisions	14 243	22 950	14 243	22 950
Other payables	11 868	17 925	11 255	4 960
Total trade and other payables	494 710	469 141	479 305	447 691

I3 DIVIDEND PAYABLE**I3.1 Profile**

Dividends declared but not paid are recorded at their settlement value.

I3.2 Carrying value

Dividends for the 6 months ended 31 December 2019 (declared on 27 February 2020)	788 347	-	790 041	-
Total dividend payable	788 347	-	790 041	-

The board of directors has resolved that it would be prudent to defer its decision on the payment of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020, or an earlier date to be determined by the Board. See note O2.1.

J. RELATED PARTIES**J1 RELATED PARTY TRANSACTIONS AND BALANCES****J1.1 Accounting policy**

Related parties are entities that are subsidiaries, joint ventures, co-investors of the Group, and individuals that are directors and/or prescribed officers of the Group.

The Group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market related rates with related parties.

J1.2 Related-party transactions and balances – entities

Entities that are related parties and with whom the Group transacted during the year are listed below:

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
African Land - subsidiary		-	-	(2 861)	(2 861)
Investment in subsidiary		-	-	758 264	758 264
Borrowings		-	-	(761 125)	(761 125)
Hyprop Share Scheme - subsidiary					
Loan receivable <i>(net of accumulated expected credit losses)</i>	F1	-	-	29 108	53 603
Interest received		-	-	3 685	3 108
Hyprop Mauritius - subsidiary					
Interest received		-	-	-	2 259
<i>Financial guarantees given by Hyprop on behalf of Hyprop Mauritius</i>					
Debt guaranteed by Hyprop on behalf of Hyprop Mauritius ⁽¹⁾		-	-	2 038 877	2 671 017
Carrying value of financial guarantees given by Hyprop on behalf of Hyprop Mauritius		-	-	114 861	186 023
Guarantee liability as percentage of debt guaranteed (%)		-	-	5.6	7.0
AttAfrica - co-investor and joint venture					
Loan receivable <i>(net of accumulated expected credit losses)</i>	F1	658 456	909 967	-	-
Interest received		29 510	80 493	-	-
Manda Hill Mauritius - former joint venture					
Loan receivable <i>(net of accumulated expected credit losses)</i>	F1	-	423 139	-	-
Interest received		4 036	3 715	-	-
Hystead - financial asset					
Financial asset		532 972	218 444	532 972	218 444
Asset management and accounting fee income		18 108	27 715	18 108	27 715
Dividend declared/received		120 630	221 190	120 630	221 190
Dividends receivable included in trade and other receivables		-	16 278	-	16 278
<i>Financial guarantees given by Hyprop on behalf of Hystead</i>					
Debt guaranteed by Hyprop on behalf of Hystead ⁽¹⁾		7 030 929	5 748 439	7 030 929	5 748 439
Carrying value of financial guarantees given by Hyprop on behalf of Hystead		127 066	110 401	127 066	110 401
Guarantee liability as percentage of debt guaranteed (%)		1.8	1.9	1.8	1.9
PDI Investment Holdings Limited - co-investor and common director					
Credit enhancement fee paid by PDI to Hyprop: income		22 111	40 542	22 111	40 542
Credit enhancement fee: receivable included in trade and other receivables		-	2 984	-	2 984

⁽¹⁾ Details of investment properties mortgaged to secure guarantees on behalf of Hystead and Hyprop Mauritius are shown in note E1.8

– Mortgaged properties.

J1.3 Directors' interests in Hyprop shares

Group and Company	June 2020			June 2019		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
Independent non-executive directors	35 000	-	35 000	30 500	2 940	33 440
Non-executive directors	-	378 000	378 000	-	378 000	378 000
Executive directors ⁽¹⁾	180 565	45 370	225 935	88 871	1 870	90 741
Total	215 565	423 370	638 935	119 371	382 810	502 181

⁽¹⁾ Includes shares awarded under the CUP

Details of directors' remuneration are included in note K1 – Directors' remuneration.

K. REMUNERATION

K1 DIRECTORS' REMUNERATION

K1.1 Remuneration

Group and Company June 2020	Fees R'000	Basic salary R'000	Pension fund contributions R'000	Performance bonus R'000	Vested shares R'000	Other benefits R'000	Total R'000
Independent non-executive directors							
Gavin Tipper (chairman)	902	-	-	-	-	-	902
Zuleka Jasper	506	-	-	-	-	-	506
Mike Lewin ⁽¹⁾	221	-	-	-	-	-	221
Nonyameko Mandindi	440	-	-	-	-	-	440
Thabo Mokgatlha	652	-	-	-	-	-	652
Stewart Shaw-Taylor	705	-	-	-	-	-	705
Annabel Dallamore ⁽²⁾	444	-	-	-	-	-	444
Non-executive directors							
Kevin Ellerine	438	-	-	-	-	-	438
Louis Norval	438	-	-	-	-	-	438
Executive directors							
Morné Wilken (CEO)	-	4 507	303	590	-	36	5 436
Brett Till (CFO)	-	2 685	247	541	-	60	3 533
Wilhelm Nauta (CIO)	-	2 639	178	700	-	60	3 577
Total	4 746	9 831	728	1 831	-	156	17 292

⁽¹⁾ Retired with effect from 2 December 2019

⁽²⁾ Appointed with effect from 1 October 2019

K. REMUNERATION *continued***K1. DIRECTORS' REMUNERATION** *continued***K1.1 REMUNERATION** *continued*

Group and company June 2019	Fees R'000	Basic salary R'000	Pension fund contributions R'000	Performance bonus R'000	Vested shares R'000	Other benefits R'000	Total R'000
Independent non-executive directors							
Gavin Tipper (chairman)	807	-	-	-	-	-	807
Lindie Engelbrecht ⁽¹⁾	230	-	-	-	-	-	230
Zuleka Jasper	479	-	-	-	-	-	479
Mike Lewin ⁽²⁾	421	-	-	-	-	-	421
Nonyameko Mandindi	383	-	-	-	-	-	383
Thabo Mokgatla	567	-	-	-	-	-	567
Stewart Shaw-Taylor	637	-	-	-	-	-	637
Non-executive directors							
Kevin Ellerine	397	-	-	-	-	-	397
Louis Norval	397	-	-	-	-	-	397
Executive directors							
Morné Wilken (CEO)	-	2 087	162	-	-	492	2 741
Wilhelm Nauta (CIO)	-	2 432	280	2 186	-	77	4 975
Brett Till (CFO)	-	1 719	295	-	-	33	2 047
Pieter Prinsloo (former CEO) ⁽³⁾	-	2 493	118	3 708	1 751	447	8 517
Laurence Cohen (former CFO) ⁽⁴⁾	-	202	35	-	-	66	303
Total	4 318	8 933	890	5 894	1 751	1 115	22 901

⁽¹⁾ Resigned with effect from 30 November 2018⁽²⁾ Retired with effect from 2 December 2019⁽³⁾ Resigned with effect from 31 January 2019⁽⁴⁾ Resigned with effect from 31 July 2018**K1.2 Reconciliation of number of shares outstanding under the CUP for executive directors**

Group and Company June 2020	Outstanding at the beginning of the year # of shares	Awarded # of shares	Forfeited # of shares	Vested # of shares	Outstanding at the end of the year # of shares	Market value of shares outstanding at the end of the year R'000
Morné Wilken (CEO)	37 190	48 043	-	-	85 233	1 908
Wilhelm Nauta (CIO)	26 754	24 450	(5 982)	-	45 222	1 013
Brett Till (CFO)	18 927	25 183	-	-	44 110	988
Total	82 871	97 676	(5 982)	-	174 565	3 909
June 2019						
Morné Wilken (CEO)	-	37 190	-	-	37 190	2 598
Wilhelm Nauta (CIO) ⁽¹⁾	16 742	10 012	-	-	26 754	1 869
Brett Till (CFO)	-	18 927	-	-	18 927	1 322
Pieter Prinsloo (former CEO)	88 045	29 715	(109 123)	(8 637)	-	-
Laurence Cohen (former CFO)	47 541	-	(47 541)	-	-	-
Total	152 328	95 844	(156 664)	(8 637)	82 871	5 789

⁽¹⁾ The unvested shares shown for Mr Nauta include all share allocations granted during his tenure, including prior to becoming an executive director on 5 July 2018

K1.3 Reconciliation of value of shares outstanding under the CUP for executive directors

Group and Company June 2020	Outstanding at the beginning of the year ⁽²⁾ R'000	Awarded ⁽³⁾ R'000	Forfeited ⁽²⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁴⁾ R'000
Morné Wilken (CEO)	2 598	3 301	-	-	(3 991)	1 908
Wilhelm Nauta (CIO)	1 869	1 680	(418)	-	(2 118)	1 013
Brett Till (CFO)	1 322	1 730	-	-	(2 064)	988
Total	5 789	6 711	(418)	-	(8 173)	3 909

⁽²⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R69.87 on 30 June 2019

⁽³⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 68.71

⁽⁴⁾ Shares outstanding at the end of the year are valued at the closing share price of R22.39

June 2019	Outstanding at the beginning of the year ⁽⁵⁾ R'000	Awarded ⁽⁶⁾ R'000	Forfeited ⁽⁶⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁷⁾ R'000
Morné Wilken (CEO)	-	3 301	-	-	(703)	2 598
Wilhelm Nauta (CIO)	1 713	889	-	-	(733)	1 869
Brett Till (CFO)	-	1 680	-	-	(358)	1 322
Pieter Prinsloo (former CEO)	9 011	2 638	(9 898)	(1 751)	-	-
Laurence Cohen (former CFO)	4 865	-	(4 865)	-	-	-
Total	15 589	8 508	(14 763)	(1 751)	(1 794)	5 789

⁽⁵⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R102.34 on 30 June 2018

⁽⁶⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 88.77

⁽⁷⁾ Shares outstanding at the end of the year are valued at the closing share price of R69.87

K1.4 Share-based payments expense

The following amounts were recorded in the statement of profit and loss with respect to directors.

	Group and Company	
	June 2020 R'000	June 2019 R'000
Morné Wilken (CEO)	2 037	484
Wilhelm Nauta (CIO)	1 473	880
Brett Till (CFO)	1 101	246
Total	4 611	1 610

K. REMUNERATION *continued***K2 SHARE-BASED PAYMENTS****K2.1 Accounting policy***Long-term benefits – share-based payments*

The Company operates an equity-settled share-based conditional share plan (CUP) for its employees.

The grant date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity over the vesting period. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest.

The CUP consists of two components – performance shares and retention shares, both of which are settled by the issue of Hyprop shares. The allocation between performance and retention shares is 70%:30% for all participants. Awards under the CUP are made on an annual basis.

Performance shares

The performance conditions for the shares allocated as performance shares are as follows:

40%	Growth in distribution per share relative to the peer group
40%	Share price performance relative to the peer group
20%	A strategic component, which is determined by the Remuneration committee in line with the prevailing circumstances and projects at the time of the award.

Each of the performance conditions is measured over a three-year performance period. Participants must be employed until the end of the vesting period to be eligible for the award.

Retention shares

Retention shares vest after five years, provided the participant is still employed by the Group.

K2.2 Reconciliation of number of shares outstanding under the CUP

	Group and Company		Group and Company	
	Performance shares		Retention shares	
	June 2020	June 2019	June 2020	June 2019
Outstanding at the beginning of the year	210 547	235 815	141 513	181 820
New awards granted	187 420	135 583	80 330	58 116
Vested and settled by the issue of Hyprop ordinary shares	(35 962)	(49 336)	(26 762)	(37 465)
Forfeited	(5 982)	(111 515)	-	(60 958)
Outstanding at the end of the year	356 023	210 547	195 081	141 513
Weighted average remaining vesting period (years)	1.4	1.5	2.8	1.1

K2.3 Movement reconciliation - share-based payment reserve

	Group and Company	
	June 2020 R'000	June 2019 R'000
Opening balance at 1 July	20 286	27 443
Release of reserve on vesting of shares	(6 476)	(8 513)
Share-based payment expense	14 003	10 365
Forfeitures	(2 208)	(9 009)
Balance at the end of the year	25 605	20 286

K2.4 Valuation methodology

The day-one fair value of the awards granted under the CUP is determined based on the 30-day VWAP of Hyprop shares ending on the grant date, as specified in the CUP rules. Volatility is calculated based on historic volatility for the preceding year. The fair value of each outstanding tranche of share awards is detailed below:

Performance shares	Tranche 6	Tranche 7	Tranche 8	Tranche 9
Number of awards granted	84 840	96 302	39 281	187 420
Share price at grant date (R)	116.76	102.34	81.50	68.87
Grant date	01-Jul-17	01-Jul-18	01-Jan-19	01-Jul-19
Vesting period ends	30-Jun-20	30-Jun-21	31-Dec-21	30-Jun-22
Black Scholes valuation				
Fair value of shares at grant date (R)	97.66	81.99	61.69	49.34
Expected life (years)	3	3	3	3
Volatility (%)	20	20	20	19
Risk-free rate after taxation of 28% (%)	6.4	6.4	6.4	6.0
Dividend yield (%)	6.0	7.4	9.3	11
% allocated to executive directors on grant date (%)	31.0	28.9	100.0	36.5

Tranche 4 of the performance shares vested during the year at a fair value of R61.17 per share.
Tranche 5 of the performance shares were forfeited during the year.

Retention shares	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9
Number of awards granted	33 549	33 499	2 564	35 114	41 281	16 835	80 330
Share price at grant date (R)	121.0	129.89	117.31	116.76	102.34	81.50	68.87
Grant date	01-Jul-15	01-Jul-16	01-Jan-17	01-Jul-17	01-Jul-18	01-Jan-19	01-Jul-19
Vesting period ends	30-Jun-20	30-Jun-21	31-Dec-21	30-Jun-22	30-Jun-23	31-Dec-23	30-Jun-24
Black Scholes valuation							
Fair value of shares at grant date (R)	96.68	102.32	90.07	86.7	70.72	51.24	39.50
Expected life (years)	5	5	5	5	5	5	5
Volatility (%)	20	20	20	20	20	20	19.3
Risk-free rate after taxation of 28% (%)	6.0	6.4	6.4	6.4	6.4	6.4	6.4
Dividend yield (%)	4.5	6.0	6.0	6.0	7.4	9.3	11.1
% allocated to executive directors on grant date (%)	31.0	31.0	31.0	31.0	28.9	100.0	36.5

Tranche 2 of the retention shares vested during the year at a fair value of R59.96 per share.

K. REMUNERATION *continued***K3 RETIREMENT BENEFITS****K3.1 Accounting policy**

A defined contribution plan is a post-employment benefit plan under which the Company pays contributions to a separate entity. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Company contributions to defined contribution plans are recognised as an employee benefit expense when the related services have been rendered.

K3.2 Profile

All permanent employees must be members of the Uncover Pension Fund (an umbrella defined contribution fund) (the fund), except those who elect not to be members in terms of section 197 of the Labour Relations Act 66 of 1995 (LRA).

In addition to the post-retirement benefits, the fund provides comprehensive death, disability, funeral and universal education cover for all members.

K3.3 Retirement benefits - expense

	Group and Company	
	June 2020 R'000	June 2019 R'000
Defined contribution fund	13 859	12 587

L. FINANCIAL INSTRUMENTS

L1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

L1.1 Accounting policy

Financial instruments are monetary contracts that give rise to a financial asset (a right to receive cash) of one entity and a financial liability (an obligation to deliver cash) or equity instrument of another entity.

Recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Group's business model (i.e. whether the Group's objective is to hold the assets to collect contractual cash flows or hold to collect and sell or other).

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and the way that information is provided to management. The information considered includes:

- The Group's strategic objectives for the portfolio of assets;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the portfolio; and
- The historic frequency, volume and timing of sales of financial assets, and the reasons for such sales.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. In making this assessment the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specific assets (e.g. non-recourse features).

Initial measurement

FVTPL	Financial instruments which are categorised and designated at initial recognition as being at FVTPL are initially recognised at fair value. Transaction costs, which are directly attributable to the acquisition or issue of these financial instruments, are recognised immediately in profit or loss.
Amortised Cost and FVTOCI	Financial instruments which are not carried at FVTPL are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.
Day-one gains or losses	A day-one gain or loss arises when the transaction price of a financial instrument designated as FVTPL differs from the fair market value on the date of acquisition. If the day-one fair value is calculated based on a valuation methodology which includes assumptions derived from unobservable inputs, the day-one gain or loss is deferred. The day-one gain or loss is only recognised in profit or loss to the extent that there is a change in a factor (including time) that market participants would take into account when pricing the financial instrument, the unobservable inputs become observable, or on derecognition of the financial instrument.

L. FINANCIAL INSTRUMENTS *continued***L1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS** *continued***L1.1 ACCOUNTING POLICY** *continued***Presentation**

Offset	Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has an enforceable right to set off the asset and liability, and intends to settle the asset and liability on a net basis or to realise the asset and settle the liability simultaneously.
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Derecognition of financial instrument

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

Fair value hierarchy

In addition to the subsequent measurement classification, financial instruments carried at fair value are further classified into 3 levels based on the lowest level of input significant to the overall valuation.

Level 1	Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The Group has no level 1 financial instruments.
Level 2	Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The Group has classified derivatives as level 2.
Level 3	Level 3 inputs are unobservable inputs. These are used to measure fair value to the extent that relevant observable inputs are not available, to cater for situations in which there is little, or no, market activity for the asset or liability at the measurement date. The Group has classified its investment in Hystead as level 3.

L1.2 Accounting classifications, carrying and fair values

The following table reflects the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

Group June 2020	Carrying amount		Fair value and fair value hierarchy (The Group has no financial instruments classified as level 1)			
	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets measured at fair value						
Financial asset	532 972	-	532 972	-	532 972	532 972
	532 972	-	532 972	-	532 972	532 972
Financial assets not measured at fair value						
Loans receivable - current	-	681 215	681 215	n/a	n/a	n/a
Trade and other receivables (including held-for-sale) ⁽¹⁾	-	226 747	226 747	n/a	n/a	n/a
Cash and cash equivalents (including held-for-sale)	-	876 544	876 544	n/a	n/a	n/a
	-	1 784 506	1 784 506	-	-	-
Financial liabilities measured at fair value						
Derivative instruments - non-current	233 669	-	233 669	233 669	-	233 669
Derivative instruments - current	51 980	-	51 980	51 980	-	51 980
Financial guarantees - non-current	127 066	-	127 066	-	127 066	127 066
	412 715	-	412 715	285 649	127 066	412 715
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	4 074 183	4 074 183	n/a	n/a	n/a
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	3 776 163	3 776 163	n/a	n/a	n/a
Trade and other payables (including held-for-sale) ⁽²⁾	-	346 315	346 315	n/a	n/a	n/a
	-	8 196 661	8 196 661	-	-	-
June 2019						
Financial assets measured at fair value						
Financial asset	218 444	-	218 444	-	218 444	218 444
Derivative instruments - non-current	619	-	619	619	-	619
Derivative instruments - current	2 691	-	2 691	2 691	-	2 691
	221 754	-	221 754	3 310	218 444	221 754
Financial assets not measured at fair value						
Loans receivable - non-current	-	18 847	18 847	-	-	-
Loans receivable - current	423 139	909 967	1 333 106	-	423 139	423 139
Trade and other receivables (including held-for-sale) ⁽¹⁾	-	174 970	174 970	-	-	-
Cash and cash equivalents (including held-for-sale)	-	1 326 849	1 326 849	-	-	-
	423 139	2 430 633	2 853 772	-	423 139	423 139
Financial liabilities measured at fair value						
Derivative instruments - non-current	60 224	-	60 224	60 224	-	60 224
Derivative instruments - current	7 339	-	7 339	7 339	-	7 339
Financial guarantees - non-current	110 401	-	110 401	-	110 401	110 401
	177 964	-	177 964	67 563	110 401	177 964
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	7 365 864	7 365 864	-	-	-
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	1 019 499	1 019 499	-	-	-
Trade and other payables (including held-for-sale) ⁽²⁾	-	373 679	373 679	-	-	-
	-	8 759 042	8 759 042	-	-	-

⁽¹⁾ This balance excludes the following: Prepayments, municipal deposits and sundry receivables.

⁽²⁾ This balance excludes the following: Rent received in advance, municipal and employee provisions and sundry payables.

L. FINANCIAL INSTRUMENTS *continued***L1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS** *continued*

Company June 2020	Carrying amount			Fair value and fair value hierarchy		
	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	(The Company has no financial instruments classified as level 1)		
				Level 2 R'000	Level 3 R'000	Total R'000
Financial assets measured at fair value						
Financial asset	532 972	-	532 972	-	532 972	532 972
	532 972	-	532 972	-	532 972	532 972
Financial assets not measured at fair value						
Loans receivable - non-current	-	29 108	29 108	n/a	n/a	n/a
Trade and other receivables ⁽¹⁾	-	148 646	148 646	n/a	n/a	n/a
Cash and cash equivalents	-	726 362	726 362	n/a	n/a	n/a
	-	904 116	904 116	-	-	-
Financial liabilities measured at fair value						
Derivative instruments - non-current	233 669	-	233 669	233 669	-	233 669
Derivative instruments - current	48 190	-	48 190	48 190	-	48 190
Financial guarantees - non-current	127 066	-	127 066	-	127 066	127 066
Financial guarantees - current	114 861	-	114 861	-	114 861	114 861
	523 786	-	523 786	281 859	241 927	523 786
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings	-	4 074 182	4 074 182	n/a	n/a	n/a
Short-term portion of interest-bearing borrowings	-	425 000	425 000	n/a	n/a	n/a
Loans payable - non-current	-	761 125	761 125	n/a	n/a	n/a
Trade and other payables ⁽²⁾	-	284 594	284 594	n/a	n/a	n/a
	-	5 544 901	5 544 901	-	-	-

June 2019

Financial assets measured at fair value						
Financial asset	218 444	-	218 444	-	218 444	218 444
Derivative instruments - non-current	619	-	619	619	-	619
Derivative instruments - current	2 691	-	2 691	2 691	-	2 691
	221 754	-	221 754	3 310	218 444	221 754
Financial assets not measured at fair value						
Loans receivable - non-current	-	72 450	72 450	-	-	-
Trade and other receivables ⁽¹⁾	-	94 359	94 359	-	-	-
Cash and cash equivalents	-	1 062 412	1 062 412	-	-	-
	-	1 229 221	1 229 221	-	-	-
Financial liabilities measured at fair value						
Derivative instruments - non-current	59 408	-	59 408	59 408	-	59 408
Derivative instruments - current	7 326	-	7 326	7 326	-	7 326
Financial guarantees - non-current	296 424	-	296 424	-	296 424	296 424
	363 158	-	363 158	66 734	296 424	363 158
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings	-	3 649 784	3 649 784	-	-	-
Short-term portion of interest-bearing borrowings	-	1 008 000	1 008 000	-	-	-
Loans payable - non-current	-	761 125	761 125	-	-	-
Trade and other payables ⁽²⁾	-	310 494	310 494	-	-	-
	-	5 729 403	5 729 403	-	-	-

⁽¹⁾ This balance excludes the following: Prepayments, municipal deposits and sundry receivables.⁽²⁾ This balance excludes the following: Rent received in advance, municipal and employee provisions and sundry payables.

L2 FAIR VALUE MEASUREMENT METHODOLOGIES

L2.1 Fair value measurement techniques

The following tables show the valuation techniques used in measuring level 2 and 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Unobservable inputs	Movement in input	Effect on estimated fair value
Financial asset – Hystead - level 3	Discounted cash flow: The valuation is calculated as the present value of the anticipated future net cash flows expected to be generated by the underlying shopping centres after deducting the head office costs within the Hystead Group.	Annual growth rate	Increase	Increase
		Terminal growth rate	Decrease	Decrease
	The cash flow projections include specific estimates for 10 years (2019: 10 years). The expected net cash flows are discounted using a risk-adjusted discount rate as well as a risk-adjusted cap rate.	Exit cap rate	Increase	Decrease
		Discount rate	Decrease	Increase
Derivatives - level 2	Market comparison: The valuation of the derivative instruments (interest rate swaps) was determined by discounting the future cash flows using the JIBAR or OIS swap curves as applicable. Similar contracts are traded in active markets and the fair values are based on actual transactions in similar instruments.	Projected forward interest rate	Increase	Increase
Financial guarantees - level 3	Discounted cash flow: Contractual future cash flows related to each loan were calculated and then multiplied by an appropriate probability of default (PD) and loss given default (LGD). The amounts were then discounted (using risk-free rates) to either the inception date of the exposure or the valuation date (30 June 2020) to obtain the day-one fair value or expected credit loss (ECL) respectively.	Probability of default (PD)	Increase	Increase
		Loss given default (LGD)	Decrease	Decrease
	For the ECL calculations, these can be calculated for either a 12-month period (stage 1) or lifetime (stage 2). Depending on the stage or exposure, the relevant ECL value was chosen and compared to the day-one fair value.	Credit rating	Decrease	Increase
Unlisted equity investment - Edcon - level 3	In April 2020 Edcon filed for business rescue. Management's best estimate of the fair value of Edcon is zero resulting in an accumulated impairment of R57m until there is tangible evidence of any liquidation distribution or other recovery of this investment.	Business rescue plan	n/a	n/a

L2.1.1 Transfers between levels 2 and 3

There were no transfers in either direction between levels 1 and 2 during the current or prior years, nor were there any transfers out of level 2 or 3 during the current or prior years.

L2.1.2 Additional disclosures for level 3 financial instruments

Additional details on the fair values of level 3 financial instruments are disclosed in the following notes:

	Derivatives	Financial asset	Financial guarantees
Valuation assumptions - unobservable inputs	H2.6	E6.8	H3.7
Reconciliations of movement	H2.4.2 and H2.5.2	E6.5	H3.6
Valuation sensitivities	H2.7	E6.9	H3.8

M FINANCIAL RISK MANAGEMENT**M1 RISK MANAGEMENT OVERVIEW**

The Group is exposed to the following risks arising from financial instruments:

- Liquidity risk See note M2: Liquidity risk and sensitivity
- Interest rate risk See note M3: Interest rate risk and sensitivity
- Currency risk See note M4: Currency risk and sensitivity
- Credit risk See note M5: Credit risk and sensitivity

The board of directors (board) has overall responsibility for the establishment and oversight of the Group's risk management framework. The board, assisted by the Audit and Risk committee, monitors the effectiveness of the internal control systems and other risk management procedures.

The Audit and Risk committee (ARC) has an independent role, operating as an overseer and making recommendations to the board for its consideration and final approval. The ARC does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The role of the ARC includes ensuring that an appropriate risk management policy, aligned with industry practice, is adopted and implemented.

For further detail on the role and mandate of the ARC, please refer to its charter on the Group's website and the report of the Audit and Risk committee attached to the financial statements.

The ARC is assisted by management and an outsourced internal audit service provider, both of which report to the Audit and Risk committee. The ARC reports on the findings of the internal auditors to the board.

Executive management implement controls to safeguard the Group's assets, as well as to ensure validity, accuracy and completeness of financial information. Certain of these controls are reviewed by internal audit.

M2 LIQUIDITY RISK AND SENSITIVITY**M2.1 Risk and mitigation**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and includes:

- liquidity risk,
- financing/refinancing risk, and
- credit rating risk.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure	Mitigation
Liquidity risk - the risk that the Group will not be able to meet its financial obligations as they fall due.	Liquidity risk is managed by: <ul style="list-style-type: none"> • actively monitoring cash flow requirements and debt maturity profiles; • maintaining cash balances and adequate loan facilities to ensure future obligations can be met.
Financing risk - the risk that the Group is unable to raise the required finance to meet its obligations or to refinance existing borrowings, including that the cost of borrowings becomes unaffordable.	Financing and refinancing risk is managed by: <ul style="list-style-type: none"> • actively monitoring cash flow requirements and debt maturity profiles; • maintaining cash balances and adequate loan facilities to ensure future obligations can be met; • adopting a pro-active approach to refinancing maturing borrowings well in advance of the maturity date; • maintaining strong relationships with commercial banks and other lenders; • regular engagement with institutional bond investors; • managing debt maturity profiles to ensure a relatively constant level of loan maturities in each year; and • raising loans with terms that are generally between three and five years' duration.

Exposure	Mitigation
<p>Credit rating risk - The risk that the Group's credit rating is downgraded and negatively impacts the Group's access to finance or increases its cost of borrowings.</p> <p>In April 2020 Moody's Investor Services Inc (Moody's) lowered the Company's credit rating from Ba1 to Ba2. Concurrently, Moody's lowered the long-term national scale issuer rating to A1.za from Aa3.za and affirmed the short-term national scale rating of Prime-1.za.</p> <p>The main reason cited by Moody's for the reduction in Hyprop's rating is the level of debt maturing in the next 12-18 months, in the context of a challenging operating environment, including the temporary closure of shopping centres as a result of the lockdown aimed at reducing the spread of the coronavirus, and dislocated credit markets.</p> <p>Following their credit rating action in April 2020 Moody's completed a 3-month review of Hyprop's credit rating in June 2020 and confirmed Hyprop's credit rating assigned in April 2020. The rating outlook was changed to "negative" from "under review for downgrade".</p> <p>Moody's has withdrawn its rating of Hyprop as Hyprop has elected not to renew Moody's appointment given the significant levels of uncertainty in the local and global economies due to the impact of Covid-19, as well as the downgrade of South Africa's sovereign credit rating in March 2020.</p> <p>In terms of Hyprop's DMTN Program, Hyprop is not required to be rated by an independent rating agency. The Company will reconsider the appointment of a rating agency when local and global markets normalise.</p>	<p>In their 2020 rating reviews Moody's recognised that over the last twelve months Hyprop was able to refinance its debt, demonstrating good access to banking markets, and the progress made by Hyprop since April 2020 in refinancing the US Dollar and Rand denominated debt maturing over remainder of the 2020 calendar year, the additional R500 million of bank facilities that were raised, the R100 million raised through the DMTN Program and the progress being made to dispose of the Group's sub-Saharan Africa investments.</p> <p>The majority of debt coming due in the next 12 months comprises \$172 million of debt relating to Hyprop's assets in sub-Saharan Africa (Hyprop Mauritius and Ikeja City Mall in Nigeria) and EUR49 million of non-recourse (to Hyprop) in-country asset backed finance relating to Hystead Limited, which is due in March 2021.</p> <p>Subsequent to 30 June 2020, \$99 million of the US Dollar denominated debt was settled. The remaining \$73 million will be settled on disposal of the Group's Sub-Saharan Africa interests, or refinanced in either Rands or Dollars.</p> <p>The Group meets its financing requirements through a mixture of cash generated from its operations and short and long-term borrowings. The Group has actively increased its use of revolving credit facilities to allow greater flexibility in managing cashflow and liquidity.</p> <p>Adequate banking facilities and reserve borrowing capacities are maintained.</p> <p>The Group has complied with all of the covenants in terms of the agreements governing its bank borrowings and debt capital market program at 30 June 2020.</p>

Reported as		Group		Company	
		June 2020	June 2019	June 2020	June 2019
Average maturity of borrowings	years	1.79	2.6	2.56	2.6
Weighted average maturity of borrowings	years	1.77	2.3	2.47	2.8

M. FINANCIAL RISK MANAGEMENT *continued***M2. LIQUIDITY RISK AND SENSITIVITY** *continued***M2.2 Financial exposure**

The following table summarises the maturity profiles and contractual cash flows of financial instruments at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments where applicable. The table below excludes assets held-for-sale.

Group June 2020	Carrying value R'000	Contractual cash flows ⁽²⁾ R'000	Within one year R'000	One to five years R'000	More than five years R'000
Non-derivative financial assets					
Financial assets	532 972	3 746 664	217 257	1 410 877	2 118 530
Loans receivable - current (Eastern Europe)	22 759	23 350	23 350	-	-
Loans receivable - current (sub-Saharan Africa)	658 456	658 456	658 456	-	-
Trade and other receivables	154 548	154 548	154 548	-	-
Cash and cash equivalents	834 877	834 877	834 877	-	-
Total	2 203 612	5 417 895	1 888 488	1 410 877	2 118 530
Non-derivative financial liabilities					
Long-term portion of borrowings	4 074 183	4 649 883	207 145	4 442 738	-
Short-term portion of borrowings	2 463 877	2 842 146	2 842 146	-	-
Financial guarantees - non-current ⁽¹⁾	127 066	8 148 517	158 852	7 989 665	-
Trade and other payables	494 710	494 710	-	-	-
Total	7 159 835	16 135 256	3 208 143	12 432 403	-
Derivative financial liabilities ⁽²⁾					
Currency collars - non-current	3 693	34 389	-	34 389	-
Currency collars - current	28 326	140 401	140 401	-	-
Interest rate swaps - non-current	229 976	255 591	100 380	155 211	-
Interest rate swaps - current	23 654	16 690	16 690	-	-
Total	285 649	447 071	257 471	189 600	-
Net (liability)/asset exposure	(5 241 873)	(11 164 432)	(1 577 126)	(11 211 126)	2 118 530
June 2019					
Non-derivative financial assets					
Financial asset	218 444	3 220 944	230 232	1 207 965	1 782 747
Loans receivable - non-current (Eastern Europe)	18 847	19 935	594	19 341	-
Loans receivable - current (sub-Saharan Africa)	1 333 106	1 333 106	1 333 106	-	-
Trade and other receivables	105 625	105 625	105 625	-	-
Cash and cash equivalents	1 285 337	1 285 337	1 285 337	-	-
Total	2 961 359	5 964 947	2 954 894	1 227 306	1 782 747
Derivative financial assets					
Currency collars - non-current	619	34 389	-	34 389	-
Currency collars - current	2 691	140 401	140 401	-	-
Total	3 310	174 790	140 401	34 389	-
Non-derivative financial liabilities					
Long-term portion of borrowings	6 320 801	8 474 266	505 836	7 597 298	371 132
Short-term portion of borrowings	1 008 000	1 027 815	1 027 815	-	-
Financial guarantees - non-current ⁽¹⁾	110 401	4 160 535	-	4 160 535	-
Trade and other payables	469 141	469 141	469 141	-	-
Total	7 908 343	14 131 757	2 002 792	11 757 833	371 132
Derivative financial liabilities ⁽²⁾					
Interest rate swaps - non-current	60 224	47 625	17 603	30 022	-
Interest rate swaps - current	7 339	4 750	4 750	-	-
Total	67 563	52 375	22 353	30 022	-
Net (liability)/asset exposure	(5 011 237)	(8 044 395)	1 070 150	(10 526 160)	1 411 615

⁽¹⁾ The outflows disclosed for the financial guarantees in the table represent maximum potential outflow under the guarantees in the event of the borrowers defaulting on all their obligations under the guaranteed loans.

⁽²⁾ The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. These derivative financial instruments are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives as they are settled on a net basis.

Company June 2020	Carrying value R'000	Contractual cash flows ⁽²⁾ R'000	Within one year R'000	One to five years R'000	More than five years R'000
Non-derivative financial assets					
Financial asset	532 972	3 746 664	217 257	1 410 877	2 118 530
Loans receivable - current (Eastern Europe)	22 759	23 350	23 350	-	-
Loans receivable - current (South Africa)	29 108	29 108	-	29 108	-
Trade and other receivables	154 016	154 016	154 016	-	-
Cash and cash equivalents	726 362	726 362	726 362	-	-
Total	1 465 217	4 679 500	1 120 985	1 439 985	2 118 530
Non-derivative financial liabilities					
Long-term portion of borrowings	4 835 307	4 649 884	207 145	4 442 738	-
Short-term portion of borrowings	425 000	425 730	425 730	-	-
Financial guarantees - non-current ⁽¹⁾	127 066	8 148 517	158 852	7 989 665	-
Financial guarantees - current ⁽¹⁾	114 861	3 059 136	3 059 136	-	-
Trade and other payables	479 305	479 305	-	-	-
Total	5 981 539	16 762 572	3 850 863	12 432 403	-
Derivative financial liabilities ⁽²⁾					
Currency collars - non-current	3 693	34 389	-	34 389	-
Currency collars - current	28 326	140 401	140 401	-	-
Interest rate swaps - non-current	229 976	255 591	100 380	155 211	-
Interest rate swaps - current	19 864	15 047	15 047	-	-
Total	281 859	445 428	255 828	189 600	-
Net (liability)/asset exposure	(4 798 181)	(12 528 500)	(2 985 706)	(11 182 018)	2 118 530

June 2019

Non-derivative financial assets					
Financial asset	218 444	3 220 944	230 232	1 207 965	1 782 747
Loans receivable - non-current (Eastern Europe)	18 847	19 935	594	19 341	-
Loans receivable - current (sub-Saharan Africa)	758 264	758 264	-	758 264	-
Loans receivable - current (South Africa)	53 603	53 603	-	53 603	-
Trade and other receivables	104 534	104 534	104 534	-	-
Cash and cash equivalents	1 062 412	1 062 412	1 062 412	-	-
Total	2 216 104	5 219 692	1 397 772	2 039 173	1 782 747
Derivative financial assets					
Currency collars - non-current	619	34 389	-	34 389	-
Currency collars - current	2 691	140 401	140 401	-	-
Total	3 310	174 790	140 401	34 389	-
Non-derivative financial liabilities					
Long-term portion of borrowings	4 410 909	4 768 365	317 939	4 079 293	371 132
Short-term portion of borrowings	1 008 000	1 027 815	1 027 815	-	-
Financial guarantees - non-current ⁽¹⁾	296 424	6 650 356	3 786 293	2 864 063	-
Trade and other payables	447 691	447 691	447 691	-	-
Total	6 163 024	12 894 227	5 579 738	6 943 356	371 132
Derivative financial liabilities ⁽²⁾					
Interest rate swaps - non-current	59 408	47 625	17 603	30 022	-
Interest rate swaps - current	7 326	4 750	4 750	-	-
Total	66 734	52 375	22 353	30 022	-
Net (liability)/asset exposure	(4 010 344)	(7 552 120)	(4 063 918)	(4 899 816)	1 411 615

⁽¹⁾ The outflows disclosed for the financial guarantees in the table represent maximum potential outflow under the guarantees in the event of the borrowers defaulting on all their obligations under the guaranteed loans

⁽²⁾ The inflows/outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. These derivative financial instruments are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives as they are settled on a net basis.

M3 INTEREST RATE RISK AND SENSITIVITY**M3.1 Risk and mitigation**

Interest rate risk is the risk that the value of short-term investments and financial performance will be impacted as a result of fluctuations in interest rates.

Exposure	Mitigation
Fluctuations in interest rates impact the value of short-term investments, financing activities and the cost of borrowings, giving rise to interest rate risk.	Interest rates are monitored and appropriate steps taken to ensure that Hyprop's exposure to interest rate fluctuations is limited.
The Group has significant exposure to interest rate risk through its loans receivable and borrowings.	<p>The Group has a formal interest rate hedging policy for borrowings. In terms of this policy at least 75% of interest rate exposure for borrowings is fixed over the life of interest-bearing borrowings.</p> <p>The board has approved the use of interest rate swaps, forward starting interest rate swaps, fixed rate loans, interest rate collars and interest rate caps to manage interest rate exposure. Details of interest rate hedges at 30 June 2020 are included in note H2 to the financial statements.</p>

M3.2 Financial exposure

The interest rate profile of the Group's interest-bearing borrowings as reported is as follows:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Long-term portion of borrowings	4 074 183	6 320 801	4 835 307	4 410 909
Short-term portion of borrowings	2 463 877	1 008 000	425 000	1 008 000
Total	6 538 060	7 328 801	5 260 307	5 418 909

Summarised quantitative data on the Group's interest rate exposure is set out in the statistics below:

	Group	
	June 2020	June 2019
On-balance sheet debt at fixed rates (%) (excludes EUR funding)	65.6%	77.00%
ZAR debt	84.6%	101.10%
USD debt (Rand equivalent)	36.9%	44.60%
Average maturity of interest rate hedges (years)	1.66	2.25
ZAR debt	2.07	2.58
USD debt (Rand equivalent)	0.24	1.24
Average duration of borrowings (years)	1.77	2.21
ZAR debt	2.47	2.84
USD debt (Rand equivalent)	0.43	1.35
Cost of funding (%) (including hedges)	7.3%	7.70%
ZAR debt	9.0%	9.30%
USD debt (Rand equivalent)	4.7%	5.40%
Cost of funding (%) (excluding hedges)	5.1%	7.30%
ZAR debt	5.6%	8.70%
USD debt (Rand equivalent)	4.4%	5.50%
Debt capital market (DCM) % of total debt	23%	22%
Interest cover ratio		
Interest cover ratio (gross)	3.03	4.12
Interest cover ratio (net)	3.44	5.18
Borrowings covenants		
LTV (banks/DCM)	50 - 70/55	50 - 70/55
Interest cover (banks)	1.75 - 2.0	1.75 - 2.0

M3.3 Sensitivity

Based on the interest rate profile (fixed or variable) of the Group's borrowings and interest rate swaps at 30 June 2020, an interest rate increase/decrease of 150 basis points, while all other variables are held constant, would decrease/increase the Group's profit for the year ended 30 June 2020 by R37.2 million (2019: R28.6 million).

M4 CURRENCY RISK AND SENSITIVITY

M4.1 Risk and mitigation

Exposure	Mitigation
<p>The Group is exposed to currency risk in three areas:</p> <p>(i) Transactional versus functional currency exposure</p> <p>The mismatch between the currencies in which revenue, operating costs and borrowings are denominated and the respective functional currencies of Group companies.</p> <p>Where we are exposed</p> <p>Hyprop is exposed to this risk at all levels where it transacts in currencies other than the functional currency, e.g. Euro and USD denominated loans guaranteed by Hyprop (whose functional currency is ZAR), Nigerian Naira denominated expenses and bank accounts in Nigeria (where functional currency is USD) and Euro denominated bank loans across the European portfolio.</p>	<p>The Group's policy is to match the currency in which borrowings are incurred to the currency in which income is earned. This reduces the impact of currency fluctuations on debt service obligations, and thereby reduces the risk of guarantees being called.</p> <p>This is particularly relevant to the Group's funding structures in its sub-Saharan African investments and European investments where borrowings have been guaranteed by Hyprop.</p>
<p>(ii) Functional versus reporting currency</p> <p>The difference that gives rise to a currency translation reserve in the consolidated financial statements (for example, a subsidiary has a US Dollar functional currency and the Group's reporting currency is ZAR (Rand), or foreign exchange gains or losses on balances denominated in foreign currency).</p> <p>Where we are exposed</p> <p>Hyprop is exposed to this risk through its subsidiaries Hyprop Ikeja and Gruppo whose functional currency is USD. Although the European properties in the Hystead Group present the same exposure (reporting in Euro, while functioning in Dinar, Kuna, Denar and Lev), the investment in Hystead accounted for as a financial asset and is not consolidated by Hyprop.</p>	<p>At 30 June 2020 the functional currency of Hyprop Mauritius was Rands (2019: US Dollars). The change in functional currency resulted from the need to reorganise the capital structure of Hyprop Mauritius, including replacing existing US Dollar denominated bank loans with equity finance from Hyprop, and the progress made towards disposing of Hyprop's interests in sub-Saharan Africa.</p> <p>Hyprop's investment in Hystead is accounted for as a financial asset and is not consolidated by Hyprop. Therefore this risk is not applicable to the investment in Hystead.</p>
<p>(iii) Settlement versus functional currency</p> <p>The mismatch between the currency in which transactions (for example, dividends and interest) are settled (send-side), and the currency in which they are received.</p> <p>Where we are exposed</p> <p>Hyprop is exposed to this risk through the payments it makes and receives (including dividend income) in Euro and USD.</p>	<p>The Group has a formal foreign currency hedging policy which was approved by the Audit and Risk committee and the board during the prior year. In terms of this policy between 50% and 75% of known, or reliably predictable, cash flow items can be hedged up to 12 months in advance using foreign exchange collars or forward exchange contracts.</p> <p>Refer to note H2 of the financial statements for details of the foreign exchange collars in place at 30 June 2020.</p>

The following significant exchange rates were applied during the year:

	Average rate		Year end spot rate	
	June 2020	June 2019	June 2020	June 2019
	R	R	R	R
Rand/Euro	17.32	16.04	19.45	16.11
Rand/US Dollar	15.58	14.13	17.33	14.15
Naira/US Dollar	368.85	362.11	387.48	361.93

M. FINANCIAL RISK MANAGEMENT *continued***M4. CURRENCY RISK AND SENSITIVITY** *continued***M4.2 Financial exposure**

Summarised quantitative data about the Group's exposure to currency risk:

Group June 2020	Carrying value EUR'000	Carrying value USD'000	Carrying value NGN'000	Carrying value R'000
Financial asset	27 406	-	-	532 972
Loans receivable - current (Eastern Europe)	1 190	-	-	22 759
Loans receivable - current	-	37 992	-	658 456
Trade and other receivables	634	30	30 262 484	90 946
Cash and cash equivalents (including held-for-sale)	-	6 576	13 739 192	143 213
Asset exposure	29 230	44 598	44 001 676	1 448 346
Long-term portion of borrowings	-	-	-	-
Short-term portion of borrowings*	-	193 360	-	3 351 163
Financial guarantees - non-current	6 534	-	-	127 066
Trade and other payables	-	402	18 184 205	53 890
Non-derivative liabilities exposure	6 534	193 762	18 184 205	3 532 119
Derivative financial liabilities	1 251	444	-	32 019
Net exposure	21 445	(149 608)	25 817 471	(2 115 792)

June 2019				
Financial asset	13 561	-	-	218 444
Loans receivable - non-current (Eastern Europe)	1 170	-	-	18 847
Loans receivable - current	-	94 221	-	1 333 106
Trade and other receivables	1 011	77	2 062 028	97 971
Cash and cash equivalents (including held-for-sale)	-	15 319	1 061 880	258 254
Asset exposure	15 742	109 617	3 123 908	1 926 622
Long-term portion of borrowings	-	263 457	-	3 727 579
Short-term portion of borrowings	-	813	-	11 499
Financial guarantees - non-current	6 854	-	-	110 401
Trade and other payables	-	1 513	1 067 648	63 150
Non-derivative liabilities exposure	6 854	265 783	1 067 648	3 912 629
Derivative financial liabilities	205	(59)	-	2 480
Net exposure	8 683	(156 107)	2 056 260	(1 988 487)

* Subsequent to 30 June 2020, USD 98m of loans guaranteed by Hyprop were settled.

Company June 2020	Carrying value USD'000	Carrying value EUR'000	Carrying value R'000
Financial asset	-	27 406	532 972
Loans receivable - current (Eastern Europe)	-	1 190	22 759
Trade and other receivables	-	634	12 323
Asset exposure	-	29 230	568 054
Financial guarantees - non-current	-	6 534	127 066
Financial guarantees - current	6 627	-	114 861
Non-derivative liabilities exposure	6 627	6 534	241 927
Derivative financial liabilities	444	1 251	32 019
Net exposure	(7 071)	21 445	294 108

June 2019			
Financial asset	-	13 561	218 444
Loans receivable - non-current (Eastern Europe)	-	1 170	18 847
Trade and other receivables	-	1 011	16 278
Asset exposure	-	15 742	253 569
Financial guarantees - non-current	-	6 854	110 401
Non-derivative liabilities exposure	-	6 854	110 401
Derivative financial liabilities	-	205	3 310
Net exposure	-	8 683	139 858

M4.3 Sensitivity

The following sensitivity analysis is provided to show the foreign currency exposure of the individual entities at the end of the reporting period. This analysis is prepared based on the statement of financial position balances at year end for which there is currency risk, before consideration of currency derivatives.

The effect on equity is calculated as the effect on profit or loss. The effect on translation of results into the Group's presentation currency is excluded from the information provided.

The pre-tax effect of changes to one of the exchange rates is summarised below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

		Group				Company	
		June 2020 % change ⁽¹⁾	June 2019 % change	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Impact on profit or loss							
Rand/Euro	Strengthening	1.00	0.25	(4 170)	685	(214)	685
Rand/US Dollar	Strengthening	1.00	0.25	n/a	-	1 226	n/a
Naira/US Dollar	Strengthening	1.00	0.25	n/a	n/a	n/a	n/a
Rand/Euro	Weakening	1.00	0.25	4 170	(685)	214	(685)
Rand/US Dollar	Weakening	1.00	0.25	n/a	-	(1 226)	n/a
Naira/US Dollar	Weakening	1.00	0.25	n/a	n/a	n/a	n/a
Impact on other comprehensive income							
Rand/US Dollar	Strengthening	1.00	0.25	25 929	(85)	n/a	n/a
Naira/US Dollar	Strengthening	1.00	0.25	(11 433)	5 141	n/a	n/a
Rand/US Dollar	Weakening	1.00	0.25	(25 929)	85	n/a	n/a
Naira/US Dollar	Weakening	1.00	0.25	11 433	(5 141)	n/a	n/a

⁽¹⁾ Due to current market condition, the sensitivity % was changed from 0.25% to 1%

M5 CREDIT RISK AND SENSITIVITY

M5.1 Risk and mitigation

Credit risk is the risk of financial loss due to counterparties not meeting their contractual obligations when due. The Group is exposed to credit risk due to its trade receivables, cash and cash equivalents, loans receivable and derivative instruments.

Exposure	Mitigation
Trade receivables The maximum exposure to credit risk in respect of trade receivables at the reporting date is the fair value of each class of receivable.	Deposits and guarantees Save for national tenants, a deposit in the form of cash or a bank guarantee is obtained from tenants in terms of Hyprop's deposit policy. Furthermore, and only if required, a deed of suretyship may be obtained on behalf of a tenant.
Loans receivable The maximum exposure to credit risk in respect of loans receivable at the reporting date is the fair value of each class of loan receivable.	The credit risk in respect of loans receivable is generally mitigated by agreements with the counterparty. These agreements include terms which provide legal protection for Hyprop, common to such agreements. Loans are generally only advanced to Group or related parties.
Cash and cash equivalents The maximum exposure to credit risk in respect of cash and cash equivalents is the outstanding balance on deposit with the respective financial institution.	The Group and Company manage their exposure to credit risk by placing funds with a range of leading South African banks and AA+ rated money market funds. Exposure levels to each financial institution are monitored regularly.
Derivative instruments The maximum exposure to credit risk in respect of derivative instruments at the reporting date is the fair value of the derivative instruments.	The Group and Company manage their exposure to credit risk by transacting only with leading South African banks.

M. FINANCIAL RISK MANAGEMENT *continued***M5. CREDIT RISK AND SENSITIVITY** *continued***M5.2 Financial exposure**

The Group considers its maximum credit risk exposure per asset class, without taking into account any collateral and financial guarantees, to be as follows:

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Loans receivable – current (Vondelvlag)	M5.2.1	22 759	18 847	22 759	72 450
Loans receivable - current	M5.2.2	658 456	1 333 106	-	-
Trade and other receivables (including held-for-sale)	M5.2.3	313 933	174 970	211 242	94 359
Cash and cash equivalents (including held-for-sale)	M5.2.4	876 544	1 326 849	726 362	1 062 412
Derivative instruments - assets	M5.2.5	-	3 310	-	3 310
		1 871 691	2 857 082	960 363	1 232 531

M5.2.1 Loans receivable – current (Vondelvlag)

The loans receivable from Vondelvlag Stichting and Vondelvlag Finance (which expire in 2021) do not exhibit any signs of credit impairment. Interest payments continued to be made on these loans at each scheduled quarterly date and no expectation of default is indicated.

M5.2.2 Loans receivable – current

The loan receivable from AttAfrica was credit impaired at 30 June 2019 and 2020. Interest income on the loan is only recognised to the extent actually received.

The credit quality of the loan has been assessed as stage 3 credit impaired as a result of the deterioration of the economic environments in which the Group's sub-Saharan African interests operate, losses incurred by AttAfrica, the cessation of payment of the majority of the interest on the loans, decreases in the independent valuations of the underlying investment properties and Hyprop's decision to dispose of its sub-Saharan African interests. During the year ended 30 June 2020, a portion of the loan was settled via a subscription for preference shares in AttAfrica Limited of an equivalent value. Refer to F1.6 for movement in expected credit losses.

M5.2.3 Trade receivables

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Maximum exposure	187 725	148 175	154 016	67 564
Gross trade receivables	313 933	174 970	211 242	94 359
Accumulated expected credit losses	(126 208)	(26 795)	(57 226)	(26 795)
Mitigating balances	317 339	323 096	292 198	294 222
Bank guarantees on behalf of tenants in favour of the Group	223 680	235 212	207 264	214 004
Tenant deposits held by the Group	93 659	87 884	84 934	80 218

**Includes assets classified as held-for-sale*

M5.2.3.1 Impairment of trade receivables

The Group has applied the simplified approach permitted by IFRS 9 to determine the expected credit loss for trade receivables resulting in a calculation of lifetime expected credit losses. See F2.2 for further information on the calculation of ECLs.

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Movement reconciliation				
Balance at the beginning of the year	26 795	49 624	26 795	8 933
Provision for expected credit losses raised during the year	77 682	47 052	35 786	23 712
Receivables written off during the year	(57 255)	(5 850)	(5 355)	(5 850)
Currency translation adjustment	13 586	1 369	-	-
Transferred to held-for-sale	(3 582)	(65 400)	-	-
Balance at the end of the year	57 226	26 795	57 226	26 795
Ageing of impaired receivables				
Current	6 673	10 753	6 673	10 753
30 Days	22 293	4 031	22 293	4 031
60 Days	7 759	2 745	7 759	2 745
90+ days	20 501	9 266	20 501	9 266
Total	57 226	26 795	57 226	26 795
Ageing of receivables past due but not impaired				
30 days	46 453	2 422	46 453	2 422
60 days	99	855	99	855
90+ days	6 401	2 197	6 401	2 197
Total	52 953	5 474	52 953	5 474

M5.2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash deposits with leading South African banks and units held in AA+ rated money market funds. The Moody's credit ratings for the counterparty financial institutions as well the exposure concentration of cash and cash equivalents with each financial institution are as follows:

			Group		Company	
	Credit rating June 2020	Credit rating June 2019	June 2020 %	June 2019 %	June 2020 %	June 2019 %
Absa Bank Limited	Ba1	Baa3	49.0	60.6	56.4	73.3
Nedbank	Ba1	Baa3	3.2	18.8	3.6	22.7
Standard Bank Group	Ba1	Baa3	42.4	20.6	33.8	4.0
Rand Merchant Bank/ Firststrand Group	Ba1	n/a	5.3	n/a	6.1	n/a
Other	n/a	n/a	0.1	n/a	0.1	n/a
Total exposure			100.0	100.0	100.0	100.0

Impairment losses on cash and cash equivalents are measured on a 12-month expected credit loss basis. No expected credit losses are anticipated in respect of cash and cash equivalents, given the credit ratings of the counterparties.

M. FINANCIAL RISK MANAGEMENT *continued***M5. CREDIT RISK AND SENSITIVITY** *continued***M5.2.5 Derivative instruments**

Derivative instruments comprise interest rate swaps and foreign currency collars. The Moody's credit ratings for the counterparty financial institutions as well the exposure of derivative instruments with each financial institution are as follows:

	Credit rating June 2020	Credit rating June 2019	Group		Company	
			June 2020 %	June 2019 %	June 2020 %	June 2019 %
Rand Merchant Bank/ FirstRand Group	Ba1	Baa3	2.3	5.8	2.5	4.7
Nedbank	Ba1	Baa3	24.2	41.0	26.2	45.3
Standard Bank Group	Ba1	Baa3	44.9	53.2	40.4	50.0
ABSA	Ba1	n/a	28.6	n/a	30.9	n/a
Total exposure			100.0	100.0	100.0	100.0

Exposure is based on the nominal values of the underlying derivative instruments.

N. CASH FLOW INFORMATION**N1 CASH GENERATED FROM OPERATIONS**

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Total (loss)/profit for the year attributable to shareholders of the Company	(3 401 849)	164 922	(3 107 020)	320 362
Non-controlling interests share of (loss)/profit after tax	(121 177)	(53 386)	-	-
Deferred and normal tax	7 150	(93 028)	7 637	1 730
(Loss)/Profit before taxation	(3 515 876)	18 508	(3 099 383)	322 092
Adjustments to (loss)/profit before tax to cash generated from operations	5 324 326	2 187 695	4 758 047	1 726 325
Interest earned	(88 997)	(156 043)	(58 751)	(77 152)
Interest incurred	637 392	617 198	412 133	313 257
Change in fair value - investment property	4 668 419	337 238	4 277 145	158 832
Straight-line rental income accrual	(118 286)	87 887	(125 927)	81 399
Derecognition of financial guarantee	-	(185 686)	-	(218 779)
Change in fair value - financial guarantee	16 665	-	(54 497)	16 294
Change in fair value - investment in joint venture: sub-Saharan Africa	-	105 809	-	-
Change in fair value - financial asset	(314 528)	85 229	(314 528)	85 229
Change in fair value - derivatives	221 200	46 102	218 433	37 591
Profit on disposal - investment property	-	(2 825)	-	(2 825)
Impairment of loans receivable	289 974	1 350 727	44 620	1 485 389
Impairment of subsidiary	-	-	398 020	-
Other impairments	-	29 964	-	-
Dividends received	(120 630)	(221 190)	(120 630)	(221 190)
Unrealised foreign exchange (gain)/loss	(1 876)	1 121	(9 669)	1 121
Movement in impairment of trade receivables	77 682	47 052	35 786	23 712
Depreciation - PPE	45 860	42 209	44 462	40 523
Share-based payment expense	11 795	2 496	11 795	2 496
Other non-cash items	(344)	407	(345)	428
Operating profit before working capital changes	1 808 450	2 206 203	1 658 664	2 048 417
Decrease in working capital	(75 011)	(56 271)	(46 537)	(14 393)
(Increase)/Decrease in receivables	(121 652)	(49 433)	(101 201)	806
(Increase)/Decrease in payables	46 641	(6 838)	54 664	(15 199)
Cash generated from operations	1 733 439	2 149 932	1 612 127	2 034 024

N2 OTHER CASH FLOW NOTES

	Note	Group		Company	
		June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
N2.1 Taxation paid					
Taxation (receivable)/payable at the beginning of the year		2 530	(1 251)	-	-
FCTR movement on tax payable at beginning of the year		569	-	-	-
Charge for the year in statement of profit or loss and other comprehensive income		487	(427)	-	-
Taxation (receivable)/payable at the end of the year		-	(2 530)	-	-
Taxation received/(paid) in cash		3 586	(4 208)	-	-
N2.2 Dividends received					
Dividend receivable at the beginning of the year		16 278	76 484	16 278	76 484
Dividend income		120 630	221 190	120 630	221 190
Dividends receivable at the end of the year		-	(16 278)	-	(16 278)
Dividends received in cash		136 908	281 396	136 908	281 396
N2.3 Dividends paid					
Dividend declared during the year		1 705 815	1 956 467	1 709 572	1 959 628
Dividends payable at the end of the year	13.2	(788 347)	-	(790 041)	-
Dividends paid in cash		917 468	1 956 467	919 531	1 959 628

O. ADDITIONAL INFORMATION (INCLUDED IN THE AUDITED FINANCIAL STATEMENTS)

O1 GOING CONCERN

The Company and Group financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis takes into account that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

In assessing the Company and Group's ability to continue as a going concern, the board and the Audit and Risk committee have reviewed the Company and Group's budget and cashflow forecasts, available cash balances, existing unutilised and new term loans, revolving credit facilities, and the Group's debt maturity profile. Cognisance was also taken of the current level of economic uncertainty as a result of Covid-19, the effects of which are likely to continue for some time.

The impact of the Covid-19 lockdown on the South African economy, and the retail sector in particular, was severe. Financial performance of the Group's portfolios for the year ended 30 June 2020 was adversely impacted by Covid-19, as we assisted tenants by granting discounts on contractual rentals (see note D1.1), and property valuations suffered a decline (see note E1).

For the year ended 30 June 2020, the Company and Group recorded losses of R3 107 million and R3 523 million respectively, due to the revaluation of their investment property portfolios by R4 277 million and R4 668 million respectively. However, the Group's net income before fair value adjustments for the year was R1 411 million and cash generated by operations was R1 733 million. At 30 June 2020 the Group's net asset value was R19.3 billion, the Group had available cash of R835 million and undrawn revolving credit facilities of R500 million. Given the actions and decisions taken by management subsequent to year end (as set out below), the Group's liquidity position remains strong.

At 30 June 2020 the Company's current liabilities exceeded its current assets by R954 million and the Group's current liabilities exceed its current assets R2 128 million. The increase in current liabilities is due to loans maturing in less than one year (see note H1.2) and the dividend declared to shareholders for the six months ended 31 December 2019 of R788 million (the interim dividend) in February 2020.

O. ADDITIONAL INFORMATION (INCLUDED IN THE AUDITED FINANCIAL STATEMENTS) *continued***O1. GOING CONCERN** *continued*

The Company and Group propose to settle the short-term borrowings from existing cash balances, and existing or new bank facilities. The following actions and decisions have been taken by management:

- In July 2020 the Company raised R450 million through a new two-year revolving credit facility and R1 725 million in new term loans from banks. These amounts were used to settle maturing bank loans and DCM funding of R2 148 million. The remaining short-term borrowings relate to loans in the Group's sub-Saharan Africa portfolio which will be transferred on disposal of Ikeja City Mall and/or refinanced on maturity in Rands or Dollars. Bank credit approval has been received to refinance \$56 million of this remaining debt.
- The board has resolved that it would be prudent to defer its decision on the settlement of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020, or an earlier date should more clarity emerge on the likely future economic environment. See Note O2-Events after the reporting date for details.

Accordingly, the directors consider that the Company and the Group have adequate resources to continue operating for the ensuing 12 months and that it is appropriate to adopt the going concern basis in preparing the Company and Group financial statements.

O2 EVENTS AFTER THE REPORTING DATE

O2.1 Settlement of interim dividend and declaration of final dividend

At 30 June 2020, the Group's net asset value was R19.3 billion and the Group had available cash of R835 million and undrawn revolving credit facilities of R500 million. The Group's liquidity position remains strong, however, having regard to the challenging and unpredictable economic environment, the pressure on the market value of the SA portfolio, the desire to reduce gearing levels and feedback from major institutional shareholders, the board is of the view that the Company should retain as much cash as possible while continuing to meet applicable REIT requirements in terms of the JSE Listings Requirements.

The board is considering different options in regard to settlement of the interim distribution and declaration of the final distribution for the year ended 30 June 2020, having regard to the minimum REIT distribution requirements. It has therefore resolved that it would be prudent to defer its decision on the settlement of the interim dividend and the declaration of the final dividend for the year ended 30 June 2020 until December 2020, or an earlier date should more clarity emerge on the likely future economic environment.

O2.2 Disposal of interest in Ikeja City Mall

Subsequent to 30 June 2020, key terms have been agreed for the disposal of Ikeja City Mall based on a valuation of \$115 million. The purchasers have concluded their due diligence, however, the sale remains subject to regulatory approvals and the purchasers raising the necessary finance to settle 70% of the purchase price. Appropriate security will be registered for the remaining 30% of the purchase price. The outstanding balance will accrue interest at 8% per annum, payable quarterly, until settled. Net proceeds from the disposal will be applied to reduce the Group's remaining US Dollar-denominated debt of \$18 million. The investment in Ikeja City Mall has been valued based on the anticipated sale proceeds.

O. ADDITIONAL INFORMATION (INCLUDED IN THE AUDITED FINANCIAL STATEMENTS) continued**O3 JSE PROPERTY DISCLOSURES**

Listed companies that carry out property-related transactions are subject to additional disclosure requirements relating to their property portfolio and financial information in terms of the JSE listings requirements.

Group June 2020	Location	Revenue attributable to Hyprop R'000	Revenue contribution %	Total GLA m ²	GLA contribution %	Revenue per m ²	Retail GLA m ²
(Excluding properties held-for-sale)							
Geographical profile							
South Africa		2 764 293	100.0	710 565	100.0	324	664 609
Gauteng		1 589 700	57.5	418 464	58.9	317	383 018
Western Cape		1 174 593	42.5	292 101	41.1	335	281 591
Sectoral profiles							
Retail		2 748 195	99.4	703 709	99.0	325	664 609
Shopping centres		2 595 012	93.9	655 078	92.2	330	615 978
Super regional		682 352	24.7	158 894	22.4	358	148 384
Canal Walk	WC	682 352	24.7	158 894	22.4	358	148 384
Large regional		1 707 701	61.8	457 330	64.4	311	439 081
Clearwater Mall	GP	421 218	15.2	87 032	12.2	403	87 032
The Glen	GP	234 728	8.5	80 129	11.3	244	80 129
Woodlands	GP	261 509	9.5	71 821	10.1	303	71 821
CapeGate	WC	208 682	7.5	64 238	9.0	271	64 238
Somerset Mall	WC	283 559	10.3	68 969	9.7	343	68 969
Rosebank Mall	GP	298 005	10.8	85 141	12.0	292	66 892
Regional		204 959	7.4	38 854	5.5	440	28 513
Hyde Park Corner	GP	204 959	7.4	38 854	5.5	440	28 513
Value centres (Atterbury Value Mart)	GP	153 183	5.5	48 631	6.8	262	48 631
Offices (standalone offices only)	GP	16 098	0.6	6 856	1.0	196	-
Total		2 764 293	100.0	710 565	100.0	324	664 609
June 2019							
(Excluding properties held-for-sale)							
Geographical profile							
South Africa		2 986 920	100.0	706 626	100.0	353	662 946
Gauteng		1 679 384	56.2	415 054	58.7	337	381 926
Western Cape		1 307 536	43.8	291 572	41.3	374	281 020
Sectoral profiles							
Retail		2 972 499	99.5	702 158	99.4	353	662 947
Shopping centres		2 813 368	94.2	653 510	92.5	359	614 305
Super regional		765 607	25.6	158 737	22.5	402	148 188
Canal Walk	WC	765 607	25.6	158 737	22.5	402	148 188
Large regional		1 808 702	60.6	456 036	64.5	331	437 643
Clearwater Mall	GP	452 233	15.1	87 059	12.3	433	87 028
The Glen	GP	207 395	6.9	80 431	11.4	215	80 323
Woodlands	GP	275 610	9.2	71 626	10.1	321	71 629
CapeGate	WC	222 269	7.4	63 832	9.0	290	63 831
Somerset Mall	WC	319 660	10.7	69 003	9.8	386	69 001
Rosebank Mall	GP	331 535	11.1	84 085	11.9	329	65 831
Regional		239 060	8.0	38 737	5.5	515	28 474
Hyde Park Corner	GP	239 060	8.0	38 737	5.5	515	28 474
Value centres (Atterbury Value Mart)	GP	159 130	5.3	48 648	6.9	273	48 642
Offices (standalone offices only)	GP	14 421	0.5	4 468	0.6	-	-
Total		2 986 920	100.0	706 626	100.0	353	662 947

⁽¹⁾ Rental escalations relate to new leases and amendments made during the financial year.

	Retail vacancy m²	Retail vacancy %	Office GLA m²	Office vacancy m²	Office vacancy %	Retail - rental escalation per year ⁽¹⁾ %	Office - rental escalation per year %	Average annualised rental property yield %	Average annualised NOI property yield %
	15 648	2.4	45 956	6 111	13.3	6.5	6.5	7.6	8.2
	12 688	3.3	35 446	5 259	14.8	6.4	6.6	8.3	8.5
	2 960	1.1	10 510	852	8.1	6.5	6.3	6.8	7.9
	15 648	2.4	39 100	5 401	13.8	6.5	6.3	7.6	8.2
	15 525	2.5	39 100	5 401	13.8	6.5	6.3	7.5	8.2
	2 467	1.7	10 510	852	8.1	6.9	6.3	6.6	8.4
	2 467	1.7	10 510	852	8.1	6.9	6.3	6.6	8.4
	11 556	2.6	18 249	1 355	7.4	6.4	7.3	8.0	8.1
	1 235	1.4	-	-	-	6.7	-	8.9	8.5
	2 207	2.8	-	-	-	5.7	-	8.8	11.4
	2 121	3.0	-	-	-	6.2	-	9.0	8.2
	440	0.7	-	-	-	6.7	-	7.7	7.3
	53	0.1	-	-	-	5.8	-	6.6	7.0
	5 500	8.2	18 249	1 355	7.4	7.2	7.3	7.1	7.3
	1 502	5.3	10 341	3 194	30.9	6.0	5.9	7.5	8.1
	1 502	5.3	10 341	3 194	30.9	6.0	5.9	7.5	8.1
	123	0.3	-	-	-	6.4	-	8.5	8.5
	-	-	6 856	710	10.4	7.0	7.2	6.4	8.6
	15 648	2.4	45 956	6 111	13.3	6.5	6.5	7.6	8.2
	5 103	0.8	43 468	4 638	10.7	7.7	7.6	7.5	7.5
	5 103	0.8	43 468	4 638	10.7	7.7	7.6	7.5	7.5
	4 619	1.2	32 959	3 853	11.7	7.4	7.4	7.4	7.6
	483	0.2	10 509	782	7.5	8.1	8.2	7.7	7.2
	5 103	0.8	39 000	4 235	10.9	7.8	7.5	7.5	7.3
	4 699	0.8	39 000	4 235	10.9	7.9	7.5	7.5	7.2
	483	0.3	10 509	785	7.5	8.6	8.2	7.2	6.9
	483	0.3	10 509	785	7.5	8.6	8.2	7.2	6.9
	3 995	0.9	18 249	463	2.5	7.5	8.1	7.7	7.3
	241	0.3	-	-	-	8.0	-	7.0	7.2
	3 196	4.0	-	-	-	7.2	-	8.6	7.9
	61	0.1	-	-	-	7.4	-	7.1	7.0
	-	-	-	-	-	8.0	-	8.5	7.4
	-	-	-	-	-	7.8	-	7.5	7.2
	497	0.8	18 249	463	2.5	6.5	8.1	7.3	6.8
	222	0.8	10 242	2 987	29.2	7.7	6.3	7.0	7.0
	222	0.8	10 242	2 987	29.2	7.7	6.3	7.0	7.0
	403	0.8	-	-	-	7.7	-	7.0	8.5
	-	-	4 468	403	9.0	-	7.8	7.9	8.8
	5 103	0.8	43 468	4 638	10.7	7.7	7.6	7.5	7.5

O. ADDITIONAL INFORMATION (INCLUDED IN THE AUDITED FINANCIAL STATEMENTS) continued**O3. JSE PROPERTY DISCLOSURES continued**

Tenants in our portfolio are categorised by grade, although this is largely subjective given the strong retail nature of our portfolio.

	Revenue attributable to Hyprop R'000	Revenue contribution %	Rentable area (GLA) m ²	Rentable area contribution %	Revenue per m ²
June 2020					
Tenant profile - South Africa	2 707 496	100.0	688 805	100.0	327.56
A grade ⁽¹⁾	1 471 340	54.3	459 373	66.8	266.91
B grade ⁽²⁾	739 329	27.3	141 178	20.5	436.40
C grade ⁽³⁾	496 827	18.4	88 253	12.8	469.13
June 2019					
Tenant profile - South Africa	2 762 769	100.0	726 706	100.0	316.81
A grade ⁽¹⁾	1 505 224	54.5	473 391	65.1	264.97
B grade ⁽²⁾	777 658	28.1	155 408	21.4	417.00
C grade ⁽³⁾	479 887	17.4	97 907	13.5	408.46

⁽¹⁾ A grade: Large national tenants, large listed tenants and major franchises (including all national retailers and tenants in large listed Groups).

⁽²⁾ B grade: Smaller national and listed tenants, medium-sized franchises, medium to large retailers.

⁽³⁾ C grade: Smaller line stores.

	FY21 %	FY22 %	FY23 %	FY24 %	FY25+ %
June 2020					
Lease expiry profile - by revenue (%)	29	17	19	11	24
Retail	29	17	19	11	24
Shopping centres	30	17	19	11	24
Super regional	31	15	22	9	23
Canal Walk	31	15	22	9	23
Large regional	29	18	17	12	24
Clearwater Mall	27	19	15	6	33
The Glen	30	21	22	9	18
Woodlands	36	20	14	10	21
CapeGate	32	17	16	7	28
Somerset Mall	33	15	16	17	18
Rosebank Mall	13	20	17	20	30
Regional	33	17	20	14	16
Hyde Park Corner	33	17	20	14	16
Value centres (Atterbury Value Mart)	22	18	21	15	23
Offices (standalone offices only)	33	9	45	0	13

	FY20 %	FY21 %	FY22 %	FY23 %	FY24+ %
June 2019					
Lease expiry profile - by revenue (%)	28	20	17	13	22
Retail	28	20	16	13	23
Shopping centres	30	19	16	13	22
Super regional	19	25	14	18	24
Canal Walk	19	25	14	18	24
Large regional	31	19	17	11	22
Clearwater Mall	36	25	17	6	16
The Glen	29	16	20	18	17
Woodlands	21	35	16	8	20
CapeGate	47	10	16	13	15
Somerset Mall	21	20	18	12	29
Rosebank Mall	32	7	14	9	37
Regional	35	18	14	18	16
Hyde Park Corner	35	18	14	18	16
Value centres (Atterbury Value Mart)	17	23	16	11	33
Offices (standalone offices only)	24	21	22	22	12

	Vacancy %	FY21 %	FY22 %	FY23 %	FY24 %	FY25+ %
June 2020						
Lease expiry profile - by rentable area (%)	3	23	14	16	11	33
Retail	2	23	13	16	12	34
<i>Shopping centres</i>	3	23	14	16	12	33
Super regional	2	31	10	23	8	26
Canal Walk	2	31	10	23	8	26
Large regional	3	22	14	16	12	33
Clearwater Mall	1	20	12	11	5	51
The Glen	3	21	17	22	15	22
Woodlands	3	32	18	12	10	26
CapeGate	1	22	19	9	5	44
Somerset Mall	0	19	9	16	28	28
Rosebank Mall	8	9	16	13	15	40
Regional	12	24	9	14	8	33
Hyde Park Corner	12	24	9	14	8	33
<i>Value centres (Atterbury Value Mart)</i>	0	21	17	18	12	32
Offices (standalone offices only)	10	31	9	24	-	25

	Vacancy %	FY20 %	FY21 %	FY22 %	FY23 %	FY24+ %
June 2019						
Lease expiry profile - by rentable area (%)	2	25	15	14	12	32
Retail	1	26	15	13	12	34
<i>Shopping centres</i>	1	27	15	12	12	33
Super regional	0	15	22	10	22	32
Canal Walk	0	15	22	10	22	32
Large regional	1	28	14	14	10	32
Clearwater Mall	0	36	19	11	5	28
The Glen	4	24	9	17	19	26
Woodlands	0	13	32	16	9	30
CapeGate	0	50	6	20	8	16
Somerset Mall	0	14	13	11	14	48
Rosebank Mall	1	28	4	7	7	53
Regional	1	37	13	8	12	30
Hyde Park Corner	1	37	13	8	12	30
<i>Value centres (Atterbury Value Mart)</i>	1	14	20	16	9	41
Offices (standalone offices only)	11	24	16	23	14	12

P. ADDITIONAL PROPERTY INFORMATION (EXCLUDED FROM THE AUDITED FINANCIAL STATEMENTS)

P1 SA REIT DETAILED PROPERTY DISCLOSURES

While section 13 of the JSE Listings Requirements prescribes certain disclosures applicable to property counters, SA REIT recommends that its members disclose the following additional information to provide users with more granular detail of the underlying properties as envisaged by the original REIT legislation, namely, to give investors the opportunity to fully understand the underlying properties that they invest in through the purchase and sale of a REIT's shares.

P1.1	Group June 2020	Acquisition date	Completion/ major development date	Land area	Occupied GLA	Vacant GLA	Total GLA	SA REIT average annualised property yield	Average lease length	Rental escalation
	(Excluding properties held-for-sale)									
	Geographical profile									
	South Africa			1 422 335	688 806	21 759	710 565	7.6	3.9	6.5
	Gauteng			723 175	400 518	17 947	418 464	8.3	4.1	6.5
	Western Cape			699 160	288 288	3 812	292 100	6.8	3.6	6.5
	Sub-Saharan Africa									
	Sectoral profiles									
	Retail			1 422 335	682 660	21 049	703 709	7.6	3.9	6.5
	Shopping centres			1 303 779	634 151	20 926	655 078	7.5	3.9	6.5
	Super regional			233 849	155 575	3 319	158 894	6.6	3.9	6.9
	Canal Walk	17 Oct 03	2018	233 849	155 575	3 319	158 894	6.6	3.9	6.9
	Large regional			1 027 479	444 419	12 911	457 330	8.0	4.0	6.4
	Clearwater Mall	01 Sep 11		194 545	85 797	1 235	87 032	8.9	4.4	6.7
	The Glen	27 Dec 01	2018	98 689	77 922	2 207	80 129	8.8	4.3	5.7
	Woodlands	01 Sep 11		215 684	69 700	2 121	71 821	9.0	4.3	6.2
	CapeGate	01 Sep 11		242 438	63 798	440	64 238	7.7	3.8	6.7
	Somerset Mall	01 Oct 13		222 873	68 916	53	68 969	6.6	3.1	5.8
	Rosebank Mall	25 Apr 03	2018	53 250	78 286	6 855	85 141	7.1	4.0	7.2
	Regional			42 451	34 157	4 696	38 854	7.5	3.8	6.0
	Hyde Park Corner	08 Sep 98		42 451	34 157	4 696	38 854	7.5	3.8	6.0
	Value centres (Atterbury Value Mart)	01 Sep 11		118 556	48 509	123	48 631	8.5	4.0	6.4
	Offices (standalone offices only)	01 Jun 09		-	6 146	710	6 856	6.4	3.9	7.2
	Total			1 422 335	688 806	21 759	710 565	7.6	3.9	6.5

⁽¹⁾ All properties listed above are externally valued as at 30 June 2020.

⁽²⁾ The Group has 10 retail properties and one standalone office (2019: 10 retail, 1 office).

⁽³⁾ All properties are 100% owned except Canal Walk (80%) and The Glen (75.16%).

Group June 2019	Acquisition date	Completion/ major development date	Land area	Occupied GLA	Vacant GLA	Total GLA	SA REIT average annualised property yield	Average lease length	Rental escalation
(Excluding properties held-for-sale)									
Geographical profile									
South Africa			1 422 335	696 885	9 741	706 626	7.5	4.2	7.7
Gauteng			723 175	406 583	8 472	415 054	7.6	4.3	7.4
Western Cape			699 160	290 303	1 269	291 572	7.2	3.8	8.1
Sub-Saharan Africa			51 360	21 658	565	22 223	8.5	3.4	3.7
Sectoral profiles									
Retail			1 473 695	714 479	9 903	724 382	7.4	4.1	7.3
Shopping centres			1 355 139	666 232	9 500	675 732	7.3	4.0	0.2
Super regional			233 849	157 468	1 269	158 737	6.9	4.0	8.6
Canal Walk	17 Oct 03	2018	233 849	157 468	1 269	158 737	6.9	4.0	8.6
Large regional			1 027 479	451 578	4 458	456 036	7.3	4.1	7.5
Clearwater Mall	01 Sep 11		194 545	86 817	241	87 058	7.2	4.6	8.0
The Glen	27 Dec 01	2018	98 689	77 235	3 196	80 431	7.9	4.7	7.2
Woodlands	01 Sep 11		215 684	71 566	61	71 627	7.0	4.5	7.4
CapeGate	01 Sep 11		242 438	63 832	-	63 832	7.4	4.1	8.0
Somerset Mall	01 Oct 13		222 873	69 003	-	69 003	7.2	3.4	7.8
Rosebank Mall	25 Apr 03	2018	53 250	83 125	960	84 085	6.8	3.7	6.8
Regional			93 811	57 186	3 773	60 959	7.7	3.7	5.5
Hyde Park Corner	08 Sep 98		42 451	35 528	3 209	38 737	7.0	4.0	7.3
Ikeja City Mall	17 Nov 15		51 360	21 658	565	22 223	8.5	3.4	3.7
Value centres (Atterbury Value Mart)	01 Sep 11		118 556	48 247	403	48 650	8.5	4.5	7.7
Offices (standalone offices only)	01 Jun 09		-	4 065	403	4 468	8.8	4.2	7.8
Total			1 473 695	718 544	10 306	728 850	7.6	4.1	7.3

⁽¹⁾ All properties listed above are externally valued as at 30 June 2019.

⁽²⁾ The Group has 10 retail properties and one standalone office (2019: 10 retail, 1 office).

⁽³⁾ All properties are 100% owned except Canal Walk (80%) and The Glen (75.16%).

P. ADDITIONAL PROPERTY INFORMATION (EXCLUDED FROM THE AUDITED FINANCIAL STATEMENTS) continued

P1. SA REIT DETAILED PROPERTY DISCLOSURES continued

P1.2 Top 10 tenants by GLA

South Africa

Rank / tenant	Prior year	GLA m ²		% of segment GLA	
		June 2020	June 2019	June 2020	June 2019
1 Woolworths	2	53 218	53 199	7.5%	7.5%
2 Edcon Group	1	48 058	57 145	6.8%	8.1%
3 Massmart Group	3	49 616	49 616	7.0%	7.0%
4 Pick n Pay Ltd	4	49 460	49 570	7.0%	7.0%
5 Foschini Group	5	34 124	35 698	4.8%	5.1%
6 Mr Price Group	6	27 824	28 825	3.9%	4.1%
7 Pepkor Holdings	7	23 914	22 047	3.4%	3.1%
8 Shoprite Holdings	10	21 146	17 046	3.0%	2.4%
9 Nu Metro	8	17 753	17 753	2.5%	2.5%
10 Truworths Ltd	9	16 738	17 642	2.4%	2.5%

P1.3 Top 10 tenants by revenue

South Africa

Rank / tenant	Prior year	Revenue R'000		% of segment revenue	
		June 2019	June 2018	June 2019	June 2018
1 Foschini Group	2	152 425	157 916	6.8%	6.9%
2 Edcon Group	1	144 039	163 785	6.4%	7.2%
3 Mr Price Group	3	95 210	92 974	4.2%	4.1%
4 Massmart Group	4	90 336	87 192	4.0%	3.8%
5 Pepkor Holdings	5	80 189	73 215	3.6%	3.2%
6 Truworths Ltd	6	68 936	72 611	3.1%	3.2%
7 Woolworths	7	66 088	66 220	2.9%	2.9%
8 Pick n Pay Ltd	8	62 428	59 393	2.8%	2.6%
9 Cape Union Mart Group	9	53 537	51 294	2.4%	2.2%
10 Cotton On Group	11	44 672	45 714	2.0%	2.0%

P1.4 Top 10 tenants by GLA

Sub-Saharan Africa (Ikeja City Mall)

Rank / tenant	Prior year	GLA m ²		% of segment GLA	
		June 2020	June 2019	June 2020	June 2019
1 Shoprite	1	5 002	5 002	22.5%	22.5%
2 Silverbird Cinemas Limited	2	1 612	1 611	7.3%	7.3%
3 Mr Price Chain Stores International Ltd	4	685	685	3.1%	3.1%
4 Miniso Lifestyle Nigeria Limited	7	509	509	2.3%	2.3%
5 Rhapsody Master Franchise Ltd	5	453	558	2.0%	2.5%
6 Silver Plates Development Limited	-	415	-	1.9%	-
7 Heavenly Dews Global Concepts Ltd	-	335	-	1.5%	-
8 Devyani International Nigeria Limited	-	306	-	1.4%	-
9 Gourmet Foods Limited	9	224	224	1.0%	1.0%
10 Food Concept Plc	10	214	214	1.0%	1.0%

P1.5 Top 10 tenants by revenue

Sub-Saharan Africa (Ikeja City Mall)

Rank / tenant	Prior year	Revenue R'000		% of segment revenue	
		June 2020	June 2019	June 2020	June 2019
1 Shoprite	1	23 388	22 805	19.8%	13.9%
2 Mr Price Chain Stores International Ltd	3	6 107	4 845	5.2%	3.0%
3 Silverbird Cinemas Limited	4	5 109	4 027	4.3%	2.5%
4 Heavenly Dews Global Concepts Ltd	-	4 182	-	3.5%	-
5 Miniso Lifestyle Nigeria Limited	7	4 133	3 263	3.5%	2.0%
6 Rhapsody Master Franchise Ltd	5	4 048	3 673	3.4%	2.2%
7 Gourmet Foods Limited	9	3 461	2 767	2.9%	1.7%
8 Food Concept Plc	8	3 421	2 947	2.9%	1.8%
9 Devyani International Nigeria Limited	-	3 157	-	2.7%	-
10 Silver Plates Development Limited	-	3 114	-	2.6%	-

Q. ADDITIONAL INFORMATION (EXCLUDED FROM THE AUDITED FINANCIAL STATEMENTS)

Q1 EARNINGS RECONCILIATIONS

Q1.1 Reconciliation of net income before fair value adjustments to distributable earnings

	Group	
	June 2020 R'000	June 2019 R'000
Net income before fair value adjustments	1 411 026	1 797 771
Adjustments to calculate distributable income	(152 985)	104 897
Straight-line rental income accrual	(118 286)	87 887
Non-controlling interest	21 449	30 959
Taxation paid – Hyprop Mauritius	-	(427)
Net interest adjustments	(4 036)	134
Other fair value adjustments – Edcon	(45 172)	(12 705)
Gruppo non-remittable cash	(5 039)	-
Capital items for distribution purposes	(1 901)	(951)
Distributable earnings	1 258 041	1 902 668

Q1.2 Reconciliation of cash generated from operations to distributable earnings

Cash generated from operations	1 733 439	2 149 932
Adjusted for:	(475 398)	(247 264)
(Decrease)/increase in receivables	121 652	49 433
Decrease/(increase) in payables	(46 641)	6 838
Bad debt provision and related balances	(77 682)	(47 052)
Depreciation	(45 860)	(42 209)
Share-based payment expense (net of forfeit credits)	(11 795)	(2 496)
Interest received	88 997	156 043
Interest paid	(637 392)	(617 198)
Dividend received	120 630	221 190
Other non-cash items	2 219	(406)
Non-controlling interest	21 449	30 959
Taxation expense - Mauritius	-	(427)
Sub-Saharan Africa	(9 074)	134
Capital items for distribution purposes	(1 901)	(951)
Capital items - other	-	(1 122)
Distributable earnings	1 258 041	1 902 668

Q2 NET ASSET VALUES

NAV	Net Asset Value (NAV) per share is calculated by dividing equity and reserves attributable to Hyprop shareholders (as reflected on the statement of financial position) by the number of ordinary shares in issue at the end of the year less treasury shares.
TNAV	Tangible Net Asset Value (TNAV) per share is calculated by dividing tangible net asset value (as calculated below) by the number of ordinary shares in issue at the end of the year less treasury shares.

The effect of outstanding/unvested shares awarded to employees under the share scheme is not material.

Q2.1 Calculation

The following table reflects the net asset and share data used in the NAV and TNAV per share calculations:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Equity and reserves attributable to Hyprop shareholders (R000)	19 346 335	24 452 006	19 732 018	24 540 621
Adjusted for:				
Deferred taxation	95 198	87 561	95 198	87 561
Tangible Net Asset Value (R'000)	19 441 533	24 539 567	19 827 217	24 628 182
Number of ordinary shares in issue	255 894 516	255 894 516	255 894 516	255 894 516
Treasury shares	(1 649 191)	(611 519)	-	-
Net number of ordinary shares in issue	254 245 325	255 282 997	255 894 516	255 894 516
NAV per share (Rand) ⁽¹⁾	76.09	95.78	77.11	95.90
TNAV per share (Rand)	76.47	96.13	77.48	96.24

⁽¹⁾ The net asset value per share is calculated on the basis that the dividend payable for the six months ended 31 December 2019 of R 3.08 per share, is treated as a liability.

Q. ADDITIONAL INFORMATION (EXCLUDED FROM THE AUDITED FINANCIAL STATEMENTS) continued

Q3 FIVE-YEAR REVIEW

	Group				
	June 2020 R'000	June 2019 R'000	June 2018 R'000	June 2017 R'000	June 2016 R'000
Revenue	3 102 342	3 217 848	3 113 713	3 167 649	3 078 221
Rental and other lease income	2 261 122	2 567 150	2 244 650	3 128 062	2 976 420
Straight-line rental income accrual	118 286	(87 887)	(3 847)	39 587	101 801
Recoveries	722 934	738 585	872 910	-	-
Impairment of trade receivables	(77 682)	(47 052)	-	-	-
Property expenses	(1 139 721)	(1 132 002)	(1 049 892)	(1 073 877)	(993 861)
Net property income	1 884 939	2 038 794	2 063 821	2 093 772	2 084 360
Other operating income	20 871	30 828	-	-	-
Other operating expenses	(89 130)	(72 428)	(55 778)	(78 232)	(76 593)
Operating income	1 816 680	1 997 194	2 008 043	2 015 540	2 007 767
Net interest	(548 395)	(461 155)	(282 273)	(336 502)	(366 176)
Interest income	88 997	156 043	312 550	294 177	323 759
Interest expense	(637 392)	(617 198)	(594 823)	(630 679)	(689 935)
Net operating income	1 268 285	1 536 039	1 725 770	1 679 038	1 641 591
Guarantee fee income	22 111	40 542	46 671	36 931	-
Dividends received	120 630	221 190	182 778	146 350	-
Net income before fair value adjustments	1 411 026	1 797 771	1 955 220	1 862 319	1 641 591
Changes in fair value	(4 636 928)	(587 083)	767 052	973 270	1 227 151
Investment property	(4 668 419)	(337 238)	650 206	1 142 199	1 280 333
Financial guarantees	(16 665)	-	-	-	-
Other investments	(45 172)	(12 705)	-	-	-
Loans receivable at FVTPL	-	(105 809)	-	-	-
Financial asset	314 528	(85 229)	87 761	(163 855)	-
Derivative instruments	(221 200)	(46 102)	29 085	(5 074)	(53 182)
Profit on disposal of investment property	-	2 825	2 697	2 031	-
Loss on disposal of subsidiary	-	-	-	(2 557)	-
Impairment of loans receivables	(289 974)	(1 350 727)	(166 441)	(25 377)	-
Other impairments	-	(29 964)	(10 102)	10 102	(10 102)
Impairment of goodwill	-	-	-	(18 134)	-
Derecognition of financial guarantees	-	185 686	11 984	-	-
Net (loss)/income before equity-accounted investments	(3 515 876)	18 508	2 560 410	2 801 654	2 858 640
Share of (loss) from joint ventures	-	-	-	(50 380)	(41 007)
Share of income from associate	-	-	-	-	457
(Loss)/Profit before taxation	(3 515 876)	18 508	2 560 410	2 751 274	2 818 090
Taxation	(7 150)	93 028	(39 486)	(4 340)	(50 930)
(Loss)/Profit for the year	(3 523 026)	111 536	2 520 924	2 746 934	2 767 160
Total (loss)/profit for the year attributable to shareholders of the Company	(3 401 849)	164 922	2 529 467	2 767 652	2 750 847
Investment property at fair value ⁽¹⁾	24 665 964	28 636 718	30 849 201	29 825 333	28 822 197
Distributable income per share (cents)	493	745	757	695	620

⁽¹⁾ Excludes investment property held-for-sale.

Q4 FINANCIAL INFORMATION ON HYSTEAD

Q4.1 Statement of financial position

(Extracted from management accounts and included for information purposes only)

	Hystead Group	
	June 2020 R'000	December 2019 R'000
Non-current asstes	15 782 048	12 770 970
Investment property	15 703 889	12 710 535
Other non-current assets	78 159	60 436
Current assets	662 652	722 625
Receivables and other current assets	181 292	129 512
Cash and cash equivalents	481 360	593 112
Total assets	16 444 700	13 493 595
Non-current liabilities	15 268 581	12 880 535
Borrowings – in country	6 566 662	5 846 418
Borrowings – equity	7 808 821	6 318 251
Other non-current liabilities	893 098	715 866
Current liabilities	1 312 323	769 442
Borrowings – in country	975 982	185 870
Other current liabilities	336 341	583 572
Total liabilities	16 580 904	13 649 977
Net assets	(136 204)	(156 382)

Converted to Rand at year-end spot rate R19.45/EUR (2019: R15.74).

Q4.2 Operating/distributable income

(Extracted from management accounts and included for information purposes only)

	Hystead Group	
	June 2020 R'000	December 2019 R'000
Revenue	1 339 716	1 460 791
Operating profit	888 979	917 624
Finance costs	(444 356)	(383 917)
Loss from derivatives	(21 822)	(21 446)
Net income before taxation	422 801	512 261
Taxation	(148 999)	(150 661)
Net income after taxation	273 802	361 600
Dividends declared	202 598	368 510
Dividend included in Hyprop's income	120 630	230 386

Converted to Rand at year-end spot rate R17.32/EUR (2019: R16.31).

R. SHAREHOLDERS' INFORMATION
R1 SHAREHOLDERS' ANALYSIS

	Number of shareholdings	% of number of shareholdings	Number of shares	% of issued capital
R1.1 Shareholder spread				
1 – 1 000	5 754	57.06	2 254 104	0.88
1 001 – 10 000	3 202	31.75	10 065 943	3.93
10 001 – 100 000	845	8.38	26 475 901	10.35
100 001 – 1 000 000	239	2.37	67 968 382	26.56
Over 1 000 000	44	0.44	149 130 186	58.28
Total	10 084	100.00	255 894 516	100.00
R1.2 Distribution of shareholders				
Bank/brokers	90	0.89	42 801 723	16.73
Close Corporations	77	0.76	493 874	0.19
Endowment Funds	97	0.96	1 800 256	0.70
Individuals	7 193	71.33	10 925 248	4.27
Insurance Companies	83	0.82	11 864 499	4.64
Investment Companies	4	0.04	103 253	0.04
Medical Schemes	27	0.27	1 513 457	0.59
Mutual Funds	397	3.94	108 592 709	42.44
Other Corporations	6	0.06	2 948	0.00
Other Corporations	72	0.71	216 825	0.08
Private Companies	275	2.73	4 261 308	1.67
Public Companies	3	0.03	62 375	0.02
Retirement Funds	451	4.47	63 953 728	24.99
Share Scheme	1	0.01	1 649 191	0.64
Trusts	1 308	12.98	7 653 122	3.00
Total	10 084	100.00	255 894 516	100.00
R1.3 Shareholder type				
Non-public shareholders	9	0.13	30 585 947	11.95
Non-executive Directors	3	0.06	413 000	0.16
Executive Directors	2	0.03	51 370	0.02
Share scheme	1	0.01	1 649 191	0.64
Strategic Holdings (more than 10%)	3	0.03	28 472 386	11.13
Public shareholders	10 075	99.87	225 308 569	88.05
Total	10 084	100.00	255 894 516	100.00
R1.4 Beneficial shareholders with a holding greater than 5% of the issued shares				
Government Employees Pension Fund			31 045 482	12.13
Sanlam			15 652 826	6.12
Ninety One			15 494 138	6.05
Old Mutual			13 188 962	5.15
Total			75 381 408	29.45

R2 SHAREHOLDERS' DIARY

Financial year end	30 June 2020
Publication of financial results	22 September 2020
Annual general meeting	27 November 2020
Annual report available to shareholders	31 October 2020
Publication of interim results	26 February 2021
These dates are provisional and are subject to change.	

R3 DISTRIBUTION DETAILS

	June 2020 cents per share	June 2019 cents per share
Six months ended:		
30 June	See directors report	359.3
31 December		385.6
Total		744.9

R4 ADMINISTRATION**REGISTERED OFFICE AND BUSINESS ADDRESS**

2nd Floor, Cradock Heights
21 Cradock Avenue
Rosebank
2196

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2132

REGISTRATION NUMBER

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85 Empire Road
Parktown
2193

COMPANY SECRETARY**Statucor (Proprietary) Limited**

Wanderers Office Park
52 Corlett Drive
Illovo, Johannesburg,
2196

TRANSFER SECRETARY**Computershare Investor Services (Pty) Ltd**

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15 Biermann Avenue
Rosebank
2196

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Private Bag X60500
Houghton
2041

Postal address**Computershare Investor Services (Pty) Ltd**

Private Bag X9000
Saxonwold
2132

R5 GLOSSARY

African Land	African Land Investments Limited
ARC	Audit and Risk committee
AttAfrica	AttAfrica Limited
AttAfrica SA	AttAfrica SA Proprietary Limited
CFC	Controlled foreign company as defined in the South African Income Tax Act No. 58 of 1962
Covid-19	A novel strain of coronavirus that became a global pandemic in early 2020
CUP	The Group long-term employee incentive scheme / The conditional share plan
ECL	Expected credit loss/(es)
EE	Eastern Europe
FVLCTS	Fair value less cost to sell
FVTPL	Fair value through profit or loss
Gruppo	Gruppo Investment Nigeria Limited (owner of Ikeja City Mall)
Hyprop Foundation	Hyprop Foundation NPC
Hyprop Ikeja	Hyprop Ikeja Mall Limited
Hyprop Mauritius	Hyprop Investments (Mauritius) Limited
Hyprop Share Scheme	Hyprop Investments Employee Incentive Scheme Proprietary Limited
Hystead	Hystead Limited (a UK registered company)
Hystead Group	Hystead Limited and its subsidiaries
IFRS	International Financial Reporting Standards
Ikeja or Ikeja City Mall	Ikeja City Mall, a property owned by Gruppo Investment Nigeria Limited
JIBAR	The Johannesburg Interbank Average Rate, the money market rate that is used in South Africa as reference for setting the interest rate on loans
LIBOR	The basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans
Manda Hill Mauritius	Manda Hill Mauritius Limited
OCI	Other comprehensive income
PDI	PDI Investment Holdings Limited, the co-investor in Hystead
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SCE	Statements of changes in equity
SCF	Statements of cash flows
SFP	Statements of financial position
SOCI	Statements of profit or loss and other comprehensive income
SSA	Sub-Saharan Africa (other than SA)
WALE	Weighted average lease expiry period in years

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Thank you





to all the **front**
line workers



Hyprop Investments Limited

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