

Notes to the financial statements

for the year ended 30 June 2014

1. Accounting policies and presentation of annual financial statements

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa, 2008.

1.2 Basis of preparation

The annual 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 were measured at fair value and incorporate the principal accounting policies set out below.

Fair value adjustments do not affect the determination of distributable earnings, but have an effect on the net asset value per combined unit to the extent that such adjustments are made to the carrying values of assets and liabilities.

The accounting policies are consistent with those applied in the previous year.

Various new accounting standards, or revisions to current accounting standards, have been issued with effective dates applicable to future annual financial statements. Refer to note 1.24 for further information.

1.3 Basis of consolidation

The group annual financial statements comprise the consolidated annual financial statements which incorporate the annual financial statements of the company and entities controlled by the company.

Control is achieved when the company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the group and all entities controlled by 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.

All intragroup transactions, unrealised profits and balances between group enterprises are eliminated on consolidation.

1.4 Business combinations

The group applies the acquisition method of accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's annual financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on bargain purchase) is recognised in profit or loss immediately.

1.5 Goodwill

Goodwill is carried at cost as established at the date of acquisition less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

1.6 Investments in subsidiaries

Subsidiaries are entities over which the group has control.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In the separate annual financial statements of the company, investments in subsidiaries are accounted for at cost and adjusted for impairment if applicable.

1.7 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity transacts with its joint operation, profits and losses resulting from the transactions with the joint operation are recognised in the group's consolidated annual financial statements only to the extent of interests in the joint operation entity that are not related to the group.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

In the separate annual financial statements of the company, interests in joint operations are accounted for in the same manner.

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1.8 Investments in associates and joint ventures

An associate is an enterprise over which the company can exercise significant influence, through participation in the financial and operating policy decisions of the investee, but where the company does not have control nor joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in the annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, the investment is initially recorded at cost and thereafter it is adjusted to recognise the investor's share of the post-acquisition profits or losses of the investee after the date of acquisition, distributions received and any adjustments that are required. The profits or losses are recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

When the reporting period of the investor is different from that of the associate or joint venture, the associate or joint venture prepares, for the use of the investor, annual financial statements as at the same date as the financial statements of the investor.

Where a group entity transacts with an associate or joint venture of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate or joint venture.

In the separate annual financial statements of the company, investments in associates or joint ventures are accounted for at cost and adjusted for impairment if applicable.

1.9 Building appurtenances and tenant installations

Building appurtenances and tenant installations are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all building appurtenances and tenant installations to write down the cost, less residual value, by equal instalments over their useful lives as follows:

- Tenant installations – period of lease
- Building appurtenances – three to 10 years.

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the group and its cost can be reliably measured. All other expenditure is recognised as an expense in the period in which it is incurred. Gains and losses on the disposal of building appurtenances and tenant installations are recognised in profit or loss and are calculated as the difference between the sale price and the carrying value of the item sold.

1.10 Investment property and development property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under development for such purposes).

Investment property is initially recognised at cost including transaction costs. Cost includes initial costs, as well as costs incurred subsequently to extend or refurbish investment property.

Investment property is subsequently measured at fair value as determined on a semi-annual basis by an independent registered valuer. The valuations are done on an open-market basis and valuers use the discounted cash flow method. Gains or losses arising from changes in fair value are included in net profit or loss for the period in which they arise. These gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

Realised gains or losses arising on the disposal of investment properties are recognised in net profit or loss for the year and transferred to non-distributable reserves in the statement of changes in equity.

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.

Investment property under development is recorded at fair value. If the fair value cannot be reasonably determined it is stated at cost.

Investment property under development is categorised as being under development until development work ceases and the property becomes income producing, at which time the categorisation “under development” will cease and the property will be included with other investment property.

1.11 Non-current assets held for sale

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 and losses on subsequent measurement being recognised in profit or loss.

Disposal groups and non-current assets held for sale are presented separately from other assets and liabilities on the statement of financial position. Prior periods are not reclassified.

1.12 Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 substance of the contractual arrangement. Financial assets and financial liabilities are initially measured at fair value. All transaction costs relating to financial instruments measured at fair value through profit or loss are immediately expensed.

Derecognition of financial instruments

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 expire.

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 recognised amounts, and intends to settle on a net basis or to realise the asset, and settle the liability simultaneously.

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for the year ended 30 June 2014

Subsequent measurement

Subsequent to initial recognition, these instruments are measured as follows:

Financial assets

1.12.1 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost. Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.12.2 Trade and other receivables

Trade and other receivables are carried at amortised cost less any accumulated impairments. An estimate is made for credit losses based on a review of all outstanding amounts at year-end. Doubtful debts are provided for in the year in which they are identified, with such movement taken to profit or loss for the period. Short-term receivables are measured at original invoice amount when the effect of discounting is immaterial.

1.12.3 Loans receivable

Loans receivable are carried at amortised cost using the effective interest method, less any impairment. Interest earned is recognised on an accrual basis using the effective interest method.

1.12.4 Listed property securities

Listed property securities are classified at fair value through profit or loss and are subsequently measured at fair value less the accrual for distributions receivable. This accrual is included in receivables. No deduction is made for transaction costs which may be incurred on sale or disposal. Gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

Financial liabilities

1.12.5 Trade payables

Trade and other payables are measured at amortised cost. Short-term payables are measured at the original invoice amount when the effect of discounting is immaterial.

1.12.6 Other financial liabilities

Non-derivative financial liabilities comprising long-term interest-bearing loans, other than debentures, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.12.7 Debentures

Debentures are designated as financial liabilities measured at amortised cost. The debenture premium is amortised over the period over which the debentures will be repaid. The portion recorded in profit and loss for the amortisation of debentures is removed for distribution purposes.

Derivative instruments

The entity uses derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. Derivative instruments are adjusted to fair value at each reporting date and have been designated by the group as instruments held for trading and accounted for at fair value through profit or loss. Gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

The group holds interest rate swap instruments. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Combined units

Each ordinary share issued is irrevocably linked to a debenture. The debentures are redeemable at the option of the holders and accrue interest half yearly. The debentures are classified as a liability, and the interest that accrues as debenture interest is expensed through profit or loss. The debentures issued are initially recognised at fair value. Debenture capital is subsequently carried at amortised cost using the effective interest method. The fair value of the equity portion, which is insignificant, is allocated to share capital.

1.13 Impairment

Financial assets

Financial assets other than those at fair value through profit or loss are assessed at each reporting date to determine whether there is any evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. An impairment loss is recognised immediately in profit or loss.

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount and is recognised in profit or loss.

Goodwill is tested for impairment annually.

An impairment loss is reversed, with the exception of goodwill, if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

1.14 Share capital

Ordinary shares are classified as equity.

External costs directly attributable to the issue of new shares are shown as a deduction from equity.

1.15 Treasury shares

Company shares held by the Hyprop Investments Employee Incentive Scheme (Proprietary) Limited (incorporated for the benefit of employees) that have not yet vested and shares held by subsidiaries are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost.

Statement of financial position presentation

On purchase, the cost of the shares acquired is deducted from equity. Subsequently, any gain or loss on the sale or cancellation of the company's own equity instruments is recognised directly in equity.

Statement of comprehensive income presentation

Both distributions and unrealised losses on own shares are eliminated from group profit for the year.

Earnings per share

In calculating the basic earnings per share, the treasury shares are deducted from the weighted average number of shares in issue.

When calculating the diluted earnings per share, the number of shares at year-end that have a dilutive effect is included in the weighted average number of shares.

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1.16 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

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 is used).

Foreign currency translation reserve (FCTR)

Foreign currency differences on translation of the financial position and results of a foreign operation into the group's presentation currency are recognised in the FCTR. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit and loss as part of the profit or loss on disposal.

1.17 Employee benefits

Short-term benefits

The cost of short-term employee benefits is recognised during the period in which the employees render the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the group has a present legal or constructive obligation to pay as a result of employees' services provided up to the reporting date.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the group pays contributions to a separate entity and will have 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.

The contributions are recognised as an employee benefit expense over the period the related services are rendered.

Long-term benefits

Phantom share scheme

The group operates a scheme that was formulated to reward employees who make a meaningful and sustainable contribution to the financial performance of Hyprop.

A liability is recognised in the statement of financial position. The liability is remeasured at each reporting period to reflect the revised fair value, adjusted for changes in assumptions (refer to note 26).

Changes in the fair value of the liability are recognised in profit or loss.

Equity-settled share-based employee remuneration

The group operates equity-settled share-based conditional unit plans for its employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity. New shares are not issued. 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.

1.18 Revenue

Property portfolio revenue

Property portfolio revenue comprises operating lease income and operating cost recoveries from the letting of investment properties. Operating lease income is recognised on a straight-line basis over the term of the lease.

Turnover rentals are included in revenue when the amounts can be reliably measured.

Listed property securities revenue

Distributions from listed property securities are recognised on an accrual basis over the effective holding period.

Interest received

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.19 Borrowing costs

Borrowing 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.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on funds specifically borrowed in respect of the qualifying asset. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Taxation

1.20.1 Current taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowable and any adjustment for tax payable or receivable for previous years.

Current tax 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 tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.20.2 Deferred tax

Deferred tax 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 tax 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
- 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 tax 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 tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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for the year ended 30 June 2014

The effect on deferred tax of any changes in tax rates is recognised in the 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 tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

1.20.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively. The charge for current tax is based on the results for the period as adjusted for items which are disallowed and any tax payable in respect of previous years. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

1.21 Segment reporting

The group determines and presents operating segments based on information that is provided internally to the chief operating decision maker (executive management committee (Exco) and to the board of directors).

Segment results that are reported to Exco include items directly attributable to a segment or a region, as well as those that can be allocated on a reasonable basis.

On a primary basis the operations are organised into the following business segments: super-regional malls, large regional malls, value/lifestyle centres, offices and listed property securities.

1.22 Earnings and headline earnings per combined unit

Earnings per combined unit are calculated on the weighted average number of units in issue for the year and are based on profit attributable to unitholders. Headline earnings per combined unit are calculated in terms of the requirements set out in Circular 2/2013 issued by SAICA.

1.23 Key estimations and uncertainties

Estimates and assumptions 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.

Information on the key estimations and uncertainties that have the most significant effect on amounts recognised are set out below:

Investment property

The valuation of investment properties requires judgement in the determination of future cash flows and appropriate discount rates and capitalisation rates.

For more information, refer to note 2.

Building appurtenances

The determination of the useful life and residual values is subject to management estimates. Management reviews the depreciation rates and residual values on an annual basis to take account of any changes in circumstances.

For more information, refer to note 3.

Fair value of financial instruments

The fair value of a financial instrument on initial recognition assumes that the asset or liability is exchanged in an orderly transaction to sell the asset or transfer the liability between market participants, at the measurement date under current market conditions.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets. When quoted prices are not available, fair values are determined using valuation techniques that refer as far as possible to observable market inputs, either directly or indirectly.

The impact of discounting is not material for short-term loans and trade debtors and creditors.

For more information, refer to notes 4, 10, 11, 19 and 21.

Interests in co-ownerships

Judgement is required to identify the relevant activities of the co-ownerships. Interests in co-ownerships are seen as interests in joint operations. There is a sharing of control of the co-ownership and decisions regarding major capital expenditure projects require unanimous consent of the parties sharing control.

In terms of the co-ownership agreements for Canal Walk, The Glen and Stoneridge, 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. The interests in these centres are therefore treated as joint operations.

Impairment of assets

The group tests whether assets have suffered any impairment in accordance with the impairment accounting policy. Recoverable amounts of cash-generating units have been determined based on estimated future cash flows discounted to their present values using the appropriate rates. Estimates are based on forecasts.

Trade receivables

Management identifies impairments of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when collectability is considered doubtful.

For more information, refer to note 11.

Deferred taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Assessment of future taxable income is performed in the form of estimated future cash flows using a suitable growth rate.

For more information, refer to note 20.

Phantom share scheme liability

The liability is calculated based on the year-end market value of the Hyprop combined unit. The actual payment is based on a 30-day volume weighted average price to 30 March.

Amortisation of debenture premium

The risk adjustment applied to the discount rate used in the amortisation of debenture premium requires a measure of judgement.

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Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 1.4). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables including the acquiree's future profitability. Management assessed the acquisition of the interest in African Land Investments Limited and classified the acquisition as a business combination (refer to note 33).

Business combination versus asset acquisition

Management assessed the property acquired (the acquisition of Somerset Mall) and has concluded in its view that the acquisition is a property acquisition in terms of IAS 40 *Investment Property* and is therefore accounted for in terms of that standard. In the opinion of management, the property acquired did not constitute a business as defined in terms of IFRS 3 *Business Combinations*, as there were not adequate processes identified within the property to warrant classification as businesses.

1.24 New standards and interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and 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 relevant pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's annual financial statements or those for which the impact has not yet been assessed, is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's annual financial statements.

IFRS 2 *Share-based Payments*

Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

The effective date of these amendments is for years beginning on or after 1 July 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 3 *Business Combinations*

Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9 and amendments to the scope paragraph for the formation of a joint arrangement.

The effective date of these amendments is for years beginning on or after 1 July 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 8 *Operating Segments*

Amendments to certain disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.

The effective date of these amendments is for years beginning on or after 1 July 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 9 *Financial Instruments*

This new standard is the first phase of a three-phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities and hedge accounting, which have been issued. Chapters dealing with impairment methodology are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Under IFRS 9 there are two options in respect of the classification of financial assets, namely financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

IFRS 9 has retained in general the requirements of IAS 39 for financial liabilities, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability, will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed
- Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value

IFRS 9 incorporates the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements and the standard will be applied retrospectively, subject to transitional provisions.

The impact of this standard has not yet been estimated as the standard is not yet finalised.

IFRS 10 *Consolidated Financial Investments*

The amendment to IFRS 10 clarifies the exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment entities" must be accounted for at fair value under IFRS 9 *Financial Instruments*, or IAS 39 *Financial Instruments: Recognition and Measurement*.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The group expects to adopt the amendment to the standard for the first time in the 2015 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of the amendment has not yet been estimated.

IFRS 12 *Disclosure of Interest in Other Entities*

The amendment to IFRS 12 requires new disclosures for investment entities (as defined in IFRS 10).

The effective date of the amendment is for years beginning on or after 1 January 2014.

The group expects to adopt the amendment to the standard for the first time in the 2015 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of the amendment has not yet been estimated.

Notes to the financial statements continued

for the year ended 30 June 2014

IFRS 13 Fair Value Measurement

The amendments to IFRS 13 clarify the measurement requirements for short-term receivables and payables and clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.

The effective date of these amendments is for years beginning on or after 1 July 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 15 Revenue from Contracts with Customers

The amendments to IFRS 15 set out new guidance on recognition of revenue that requires recognition in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The effective date of this standard is for years beginning on or after 1 January 2017.

The group expects to adopt the standard for the first time in the 2018 annual financial statements and the standard will be applied retrospectively, subject to transitional provisions.

The impact of this standard has not yet been estimated.

IAS 19 Employee Benefits

IAS 19 amendments to *Defined Benefit Plans: Employee Contributions* whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.

The effective date of these amendments is for years beginning on or after 1 July 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The amendments will have no impact on the annual financial statements.

IAS 24 Related-Party Disclosures

The amendment to IAS 24 clarifies the definition of a related party.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group expects to adopt the amendment to the standard for the first time in the 2015 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of the amendment has not yet been estimated.

IAS 27 Consolidated and Separate Financial Statements

The amendments to IAS 27 clarify the requirement to account for interests in “Investment entities” at fair value under IFRS 9 *Financial Instruments*, or IAS 39 *Financial Instruments: Recognition and Measurement*, in the separate financial statements of a parent.

The effective date of these amendments is for years beginning on or after 1 January 2014.

The group expects to adopt the amendments to the standard for the first time in the 2015 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IAS 36 Impairment of Assets

The amendment to IAS 36 clarify the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The group expects to adopt the amendment to the standard for the first time in the 2015 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of the amendment has not yet been estimated.

IAS 40 Investment Property

The amendment to IAS 40 clarifies the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The group expects to adopt the amendment to the standard for the first time in the 2015 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of the amendment has not yet been estimated.