

Notes to the financial statements continued

for the year ended 30 June 2014

36. Capital management

The company's borrowings (excluding debentures) are limited to 60% (2013: 55%) of the directors' bona fide valuation of the consolidated property portfolio, including listed property securities. Following the conversion to a REIT on 1 July 2013, the maximum permitted gearing ratio was aligned in the company's MoI to JSE Listings Requirements, which currently permit a maximum gearing level of 60%.

The company is funded by bank debt, debt capital market funding, and in some instances, new equity (formerly debenture capital).

The company's capital management objective is to maintain a strong capital base to provide sustainable returns to unitholders and other stakeholders over the long term.

Hyprop's unutilised borrowing capacity at 30 June can be summarised as follows:

	GROUP June 2014 R000	GROUP June 2013 R000	COMPANY June 2014 R000	COMPANY June 2013 R000
Value of property portfolio ⁽¹⁾	25 819 264	22 246 615	24 174 738	22 124 880
60%/55% thereof	15 491 559	12 235 638	14 504 843	12 168 684
Total gross borrowings (long term and short term)	7 198 853	5 384 486	5 805 597	5 051 914
Unutilised borrowing capacity	8 292 706	6 851 152	8 699 246	7 116 770

⁽¹⁾ Includes listed property securities

37. Fair value hierarchy and financial instruments by category

Accounting policies have been applied to financial instruments as indicated below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The three levels are explained as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date. These quoted prices are unadjusted.

Level 2 – inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability.

The table below categorises financial instruments and analyses those measured at fair value by the level into which the fair value measurement is categorised:

Group

Assets	Recurring fair value measurements				
	Loans and receivables at amortised cost R000	Assets designated at fair value through profit and loss R000	Level 1 R000	Level 2 R000	Level 3 R000
30 June 2014					
Derivative instruments ⁽¹⁾		32 978		32 978	
Loans receivable	812 459				
Receivables	103 686				
Cash and cash equivalents	77 353				
30 June 2013					
Listed property securities		2 279 253	2 279 253		
Derivative instruments ⁽¹⁾		39 857		39 857	
Loans receivable	384 307				
Receivables	224 175				
Cash and cash equivalents	74 821				

⁽¹⁾ Refer to note 19 for revaluation techniques and key inputs