



HYPROP
INVESTMENTS LIMITED

INTEGRATED REPORT
for the year ended 30 June 2015

PROPERTY INVESTMENT EXCELLENCE

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Separate booklet

Notice of annual general meeting

ABOUT THIS REPORT



Hyde Park Corner, Johannesburg



More information can be found elsewhere in the report



Further reading can be found online: www.hyprop.co.za

This integrated report covers the activities of Hyprop Investments Limited for the financial year ended 30 June 2015, and follows a similar report for the year ended 30 June 2014.

Hyprop continues to provide a comprehensive view of the company in one integrated report, with supplementary information on our website. This report identifies and explains the material economic, social, governance and environmental issues facing the group and their impact. We regard this report as a valuable opportunity to engage with our stakeholder groups and respond to issues raised. The report should enable stakeholders to evaluate Hyprop's ability to create and sustain value over the short, medium and long term.

Scope and boundary

The reporting on our sustainability initiatives covers the group holding company and shopping centres in our sub-Saharan Africa portfolio (including South Africa).

Material changes to the size, structure or ownership of the group during the year included the sales of non-core assets: CapeGate Lifestyle Centre, CapeGate Value Centre and Stoneridge. Effective 1 July 2014, all investments in sub-Saharan Africa (excluding South Africa) are held through Hyprop Investments Mauritius, a wholly owned subsidiary.

Reporting principles

The annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements issued by the Financial Standards Council, the JSE Limited Listings Requirements and the South African Companies Act 2008. Accounting policies applied in preparing these financial statements are consistent with those applied in the audited financial statements for the prior financial period.



Canal Walk, Cape Town

Hyprop has applied many of the recommendations in the International Integrated Reporting Committee's 2013 framework. We have also considered and applied, where practical, the latest guidelines and disclosure standards of the Global Reporting Initiative (GRI G4).

In this reporting period, Hyprop compiled its second submission to the Carbon Disclosure Project (CDP), a voluntary and comprehensive international benchmark on environmental reporting, and its second submission to the Global Real Estate Sustainability Benchmark (GRESB).

Materiality

As detailed on our website, [the board](#) has considered matters deemed material to the business of Hyprop and its stakeholders, and addressed issues that:

- Have significant direct short, medium and long-term financial impacts
- Are agreed strategic policy items
- Are peer-based norms
- Are considered social norms, as indicated by current and likely future regulations, and institutionalised norms and standards.

Assurance

Hyprop's external auditors, Grant Thornton, have audited the financial statements for the year ended 30 June 2015. Their unqualified audit report is on page 78. The scope of the audit was limited to information in the financial statements on pages 82 – 151. In line with best practice, we take a combined view of our assurance activities to ensure all material aspects are covered.

Board approval

The audit committee acknowledges its responsibility on behalf of the board to ensure the integrity of the Hyprop integrated report 2015. The committee has reviewed the report and believes it appropriately

and sufficiently addresses all material issues, and fairly presents the integrated performance of Hyprop, its subsidiaries, joint ventures and associates for the period, within the scope set out above.

The board has approved this integrated report.

Pieter Prinsloo
Chief executive
officer

Laurence Cohen
Financial director

Lindie Engelbrecht
Audit committee
chairman

Forward-looking statement

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect our expectations as at 30 June 2015. Actual results may differ materially from the group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The group cannot guarantee that any forward-looking statement 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 statement if new information becomes available, other than as stipulated by the JSE Listings Requirements.

Contact point

We welcome your feedback on this report. Please direct this to: Viki Jane Watson, Investor relations, +27 11 447 0090 or investorrelations@hyprop.co.za

PERFORMANCE HIGHLIGHTS

2015 IN PERSPECTIVE

Financial performance

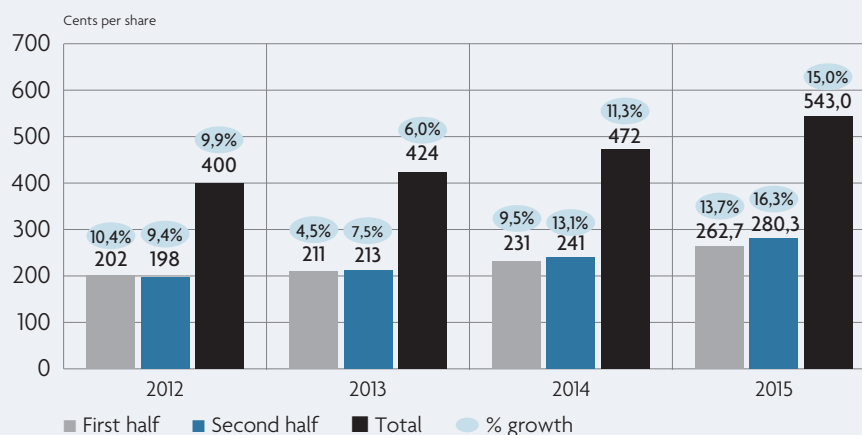
Dividend up
15%
to 543 cents
per share

Total return
59,0%

Like-for-like
NAV up
13,4%

95%
of debt fixed for
5,2 years

Distribution growth



Total revenue from
investment property
R2,6 billion
up 11,9%

Strong performance from
Rosebank Mall

Total assets up
7,4% to R28,9 billion

Read more on page 12

Corporate activity

Proceeds of

R833 million

from disposal of non-core assets:
CapeGate Lifestyle, CapeGate Value Centre
and Stoneridge applied to reduce debt

Sustainability

Clearwater Mall's solar
photovoltaic plant, generating 1 500kW at peak,
has a generating capacity of 2,5GWh per annum

Second submissions to Global Real Estate
Sustainability Benchmark (GRESB) and Carbon
Disclosure Project (CDP) on environmental,
carbon emissions, social and governance
performance

Operational activity

Occupancy levels remain high at

98%

across the portfolio (2014: 97,6%)

Property costs controlled with
cost-to-income ratio reduced to

33,6%

(2014: 34,4%)

Redeveloped Rosebank Mall opened
in October 2014 and immediately
contributed to growth in distributions

Extension to Woolworths store in
Canal Walk completed in June 2015

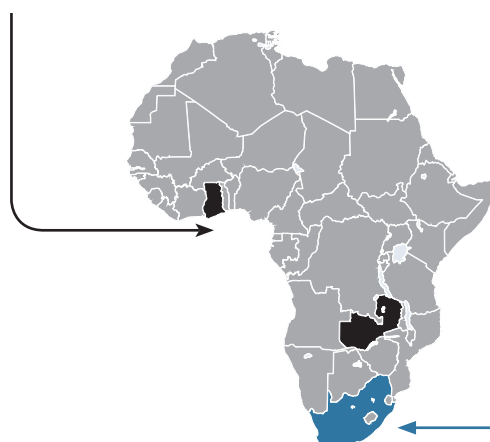
Tenant mix improved at Hyde Park
Corner's Cortina Court, hosting
high-end brands including Versace,
Longchamp and Armani

Sub-Saharan Africa

Investments in sub-Saharan Africa
(excluding South Africa) of

R2,3 billion

The 14 624m² Achimota Centre in Ghana
opened in October 2015



Upgrades and extensions

- Clearwater Mall's R37 million upgrade and extension, housing leading global fashion brands H&M, River Island and Top Shop, will open in April 2016
- Somerset Mall's Woolworths store upgrade opened in October 2015

Social responsibility

Hyprop Foundation Funded

R380 000

with a further contribution of R100 000 from Hyprop and stakeholder contribution of R350 000 towards the Stop Hunger Now SA feeding scheme, ensuring 2 088 learners were fed three times a day for a year

GROUP PROFILE AND STRATEGIC FOCUS

2015 IN PERSPECTIVE

Group profile

Hyprop, Africa's leading specialist shopping centre Real Estate Investment Trust (REIT), operates an internally managed portfolio of shopping centres in major metropolitan areas across South Africa. Hyprop also has a growing presence in sub-Saharan Africa, through a joint venture with Attacq Limited (Attacq) and the Atterbury Group.

The core portfolio consists of premier shopping centres in South Africa, including super regional centre Canal Walk, large regional centres Clearwater Mall, The Glen Shopping Centre, Woodlands Boulevard, CapeGate Shopping Centre, Somerset and Rosebank Malls, and regional centre Hyde Park Corner. The portfolio also includes interests in Accra Mall and West Hills Mall (both in Accra, Ghana), and Manda Hill Centre in Lusaka, Zambia.

Our structure provides a solid foundation for growth. We have 11 prime shopping centres in South Africa, two co-owned. Quality assets, strong contractual lease escalations and a sound balance sheet, position Hyprop well to weather the impact of a challenging economic environment. Our assets dominate in terms of average size, which helps

to attract new concept and flagship stores, and are preferred locations for international brands. These characteristics provide defensive qualities in an economic downturn. In South Africa, our assets are internally managed by capable, experienced teams. Our hands-on approach allows us to effectively optimise our assets.

In terms of sustainable growth, we are well placed to capitalise on African opportunities. Hyprop's growing presence in sub-Saharan Africa, in addition to Accra Mall in Accra, Ghana and Manda Hill in Lusaka, Zambia; now also includes the 27 500m² West Hills Mall in Accra, Ghana, which opened in November 2014, while construction is now complete at Achimota Mall in Accra, which opened in October 2015. Construction is under way at Kumasi City Mall in Kumasi, and is due for completion in 2017.

Investment proposition

Hyprop offers investors direct access to high-quality shopping centres in sub-Saharan Africa and other emerging markets through a transparent investment vehicle focused on income and capital growth.

Each Hyprop shopping centre is distinguished by:

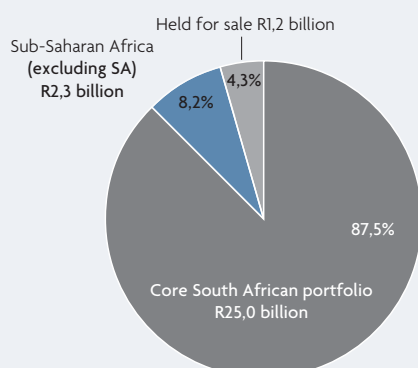
- Quality, size and location, catering to middle to higher-income consumers
- Mix of flagship national and international retail tenants
- Being the preferred shopping destination in high-density, metropolitan areas.

Hyprop's focus

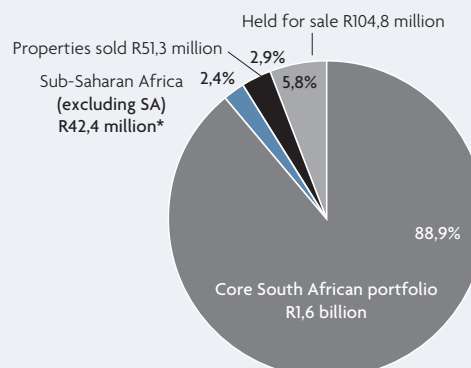
- Sustainable income growth through contractual rental escalations
- To improve the shopping centre portfolio through reinvestment, with continuous extensions and refurbishments
- Sound balance sheet
- Specialised and experienced internal management.

Investment profile

Investments



Distributable income



* After finance costs

Strategic goals

Achieve sustainable distribution and capital growth by owning quality shopping centres in sub-Saharan Africa and other emerging markets

Investments

Sub-Saharan Africa	South Africa
Diversify geographical spread	Maintain our leading retail REIT position
Expand into rest of sub-Saharan Africa	Invest in South Africa
Developments, expansion and acquisitions	Differentiate our position in a maturing market
	Developments, expansion and acquisitions
	Dispose of non-core assets

CHAIRMAN'S REPORT

2015 IN PERSPECTIVE



The South African listed property sector produced a total return of 27% for the year to 30 June 2015 and the FTSE/JSE REIT index delivered a return of 22%.

Hyprop's return for the same period was

59%

Gavin Tipper, chairman

We live in interesting times. As we anticipate interest rate rises in the UK and US, Chinese stock markets have fallen, economic news flow from that country is largely negative and its currency has been devalued to support the economy. The devaluation was limited, but conclusions on the impact of lower Chinese demand on world markets have impacted global growth projections and, more specifically, emerging market currencies. Some progress has been made in addressing the issues Europe faces, but it is likely to be some time before certain of the more troubled economies in the European Union are stabilised and interest rates can return to more normal levels.

The South African economy is stuttering. Growth is too low to address the chronic unemployment problem. Load shedding and unionised labour hinder business' ability to create jobs and there is an absence of leadership from government. The economy depends heavily on a relatively small tax base and unless we are able to develop and grow that tax base, the consequent lack of available funding will erode even more aspects of what are perceived as normal attributes of a functioning economy.

Despite uncertainties in the global economy and the obvious difficulties locally, the domestic property sector has performed strongly over an extended period. Many of the listed counters produce significant real returns and the sector has seen some of the consolidation we expected, as well as new listings. The South African listed property sector produced a total return of 27% for the year to 30 June 2015 and the FTSE/JSE REIT index delivered a return of 22%. Hyprop's return for the same period was 59%.

Hyprop's domestic portfolio performed well during the period. Despite the pressure on South African consumers, retailers in our centres produced strong results and we see pleasing demand for space in the malls. As reported elsewhere, we were able to accommodate some of this demand through a series of developments in our centres.

The financial state of certain South African retailers featured extensively in the press during the year; we have replaced some tenants with stronger covenants who were waiting for space, and will continue to work with those who have not defaulted.

The redevelopment of Rosebank Mall was completed early in the period and the mall has traded well since opening. We made various investments in the remainder of our properties and there is an exciting pipeline of opportunities that will be completed as appropriate to the properties and our tenants.

The South African market for properties that suit our portfolio is limited, with few sales and transactions at high prices where they take place. We disposed of a number of non-core assets during the period and are considering approaches on some remaining non-core assets.

The non-South African portfolio performed in line with expectations. Manda Hill and the Accra Mall traded well; West Hills Mall in Accra opened during the period with strong footfall, but lower trading densities than targeted, and the remaining developments are proceeding. Although the current weakness in the Ghanaian economy has had a minimal effect on our trading malls, we have elected to delay further developments on existing properties.

We will continue to consider acquisitions in Africa and other emerging markets where assets of appropriate quality become available at acceptable yields.

Hyprop produced a strong financial performance for the year, with the distribution for the second six-month period increasing by 16.3% over the comparable period in 2014 and the annual distribution rising by 15.0%. Results for the year benefited from increased income from Rosebank Mall, the net benefit of income from the Somerset Mall over the lost Sycom income, tight control of operating expenses and effective management of the interest expense.

The level of foreign shareholding in Hyprop increased substantially during the period. While this was common to many South African REITs, it was also influenced by Hyprop's inclusion in the Morgan Stanley Capital International MSCI emerging market index from end-May 2015.

Outlook

Although certain international economic agencies are forecasting slightly higher levels of growth for South Africa in the medium term, current growth levels are concerning and predicted improvements are well short of what is required to address the fundamental problems in the economy.

We will continue to invest in our portfolio to ensure our properties remain destinations of choice for consumers. We have an enviable mix of retailers and work hard to support their growth in our properties. Demand for space in our malls remains strong and, with the right investment, these assets should provide attractive returns for the foreseeable future, despite constraints in the macro-economy. We expect the African portfolio to perform solidly, particularly as the West Hills Mall gains traction and trading densities improve. We continue to investigate appropriate opportunities in Africa and other emerging markets.

The macro-economic context in which we operate dictates a cautious outlook and a number of commentators on the listed property sector are arguing for substantially more muted growth in future than in recent years. Despite this, we believe our portfolio is well structured with sufficient tenant depth to produce satisfactory returns over the medium term.

Sustainability

We recognise the importance of a sustainable business and of sustainability in the different facets of our business.

Our commitment to being a good corporate citizen pervades our approach to business and we endeavour to act in a responsible, balanced and commercially sensible manner. As such, we ensure our business model is sustainable and that it remains relevant to the economies we operate in.

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

Transformation is a priority for successful South African businesses. Hyprop has demonstrated regular improvement in this area and while our rating will be affected by the new codes and their impact on the property charter, we will continue to implement initiatives that yield sensible and sustainable outcomes.

Corporate governance

Hyprop is committed to the highest standards of corporate governance. This integrated report sets out details of our governance structures and the extent to which we comply with relevant codes of corporate governance and regulatory requirements.

Board changes

There were no changes to the board or to its committees during the review period, other than Mike Lewin taking the chair of the social and ethics committee.

Appreciation

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



Gavin Tipper
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

2015 IN PERSPECTIVE



Hyprop delivered excellent investment returns to shareholders for the year to 30 June 2015, despite the low GDP growth in South Africa.

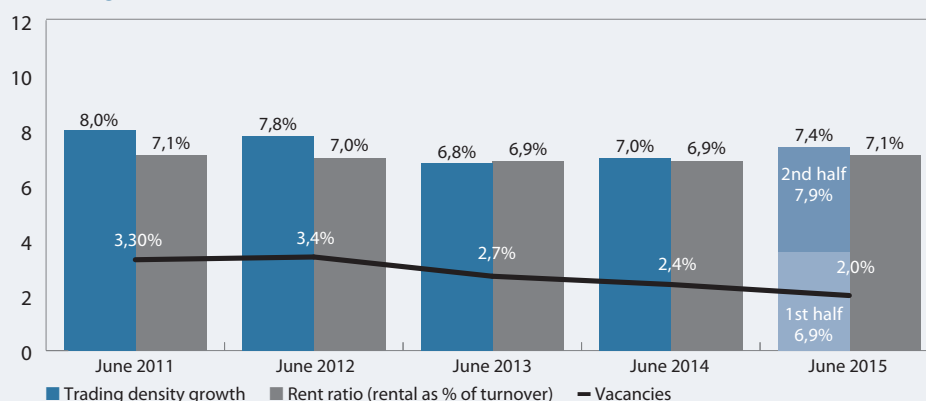
Pieter Prinsloo, chief executive officer

In line with our guidance to the market of a 12% to 15% increase in distributable earnings, 2015 earnings came in at the upper end at 543 cents a share.

Operational performance

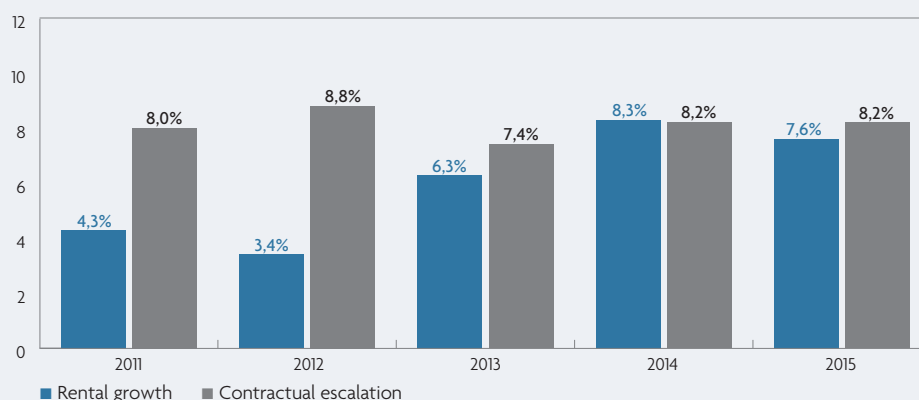
Underpinning this higher return to shareholders was a solid operating performance from the core shopping centre portfolio. The occupancy rate improved to 98,0% (June 2014: 97,6%), reflecting continued demand for quality retail space. Trading density growth improved to 7,4% (2014: 7,0%), with a significantly stronger performance in the second half of 7,9%. Despite the slightly weaker rent ratio of 7,1% (2014: 6,9%), contractual rental remains very affordable across the portfolio.

Trading overview



Contractual lease escalation, which is the support base for annual distributable income growth, was maintained at 8,2%. Rental growth on new leases and renewals slowed to 7,6% (2014: 8,3%) due to the high vacancy and weak demand for space in the office portfolio. Excluding the office portfolio, rental growth was 8,1%.

Leasing terms



Leasing

2015 was a busy period with 576 leases signed in South Africa, representing 176 350m² (22,6% of total portfolio by rentable area). Significant focus is placed on the continuous improvement of the tenant mix, and the high renewal profile gave us the ideal opportunity to replace weaker tenants. The business failures of the African Bank/ Ellerines Group and the LooknListen group enabled us to relet this space to much stronger and sought-after tenants. We increased the size of some local national tenants keen to expand their store sizes while capitalising on the interest from international brands seeking to establish their presence in South Africa. We concluded leases with international groups like H&M, River Island, Top Shop and introduced luxury brands in Hyde Park Corner's new Cortina Court, including Versace, Longchamp and Armani.

Much has been reported in the media on the financial stability of the Edcon Group, which is the largest tenant group in our portfolio (page 37). The issues relate mainly to high debt levels in the group and its ability to provide credit to customers. On closer analysis, the performance of most of the group's stores in our portfolio – in terms of trading density and profitability – ranges from average to good. We have prepared contingency plans and will closely monitor the situation.

The Platinum Group, with brands Jenni Button, Aca Joe, Hilton Weiner, Urban Degree and Vertigo, occupied 19 stores or 2 700m² in our portfolio. This group ran into financial trouble towards the end of

the financial year. We have taken legal action to recover unpaid rent and, depending on the outcome of the court process, this group will probably be replaced with new tenants. Most of these stores occupy prime areas and replacing them with new tenants will not be unduly difficult.

Developments

After a two-year redevelopment period, Rosebank Mall was successfully relaunched at the end of September 2014, with the opening of the Woolworths store as the final phase. The shopping centre has won a number of design awards and has traded successfully since opening.

Various refurbishment projects were undertaken during the year, including:

Canal Walk	Mr Price relocation and introduction of Forever 21. Woolworths store extended.
Somerset Mall	Refurbishment of food court with new tenants. Extension to the Woolworths store.
Hyde Park	Relocation of Dion Wired and introduction of new luxury brands.
Willowbridge	Relocation of the Dis-Chem store.
CapeGate	Refurbishment of food court with new tenants.

CHIEF EXECUTIVE OFFICER'S REPORT continued

2015 IN PERSPECTIVE

Clearwater Mall's R37 million upgrade and extension is under way and will house leading global fashion brands H&M, River Island and Top Shop.

For the financial year 2016, the focus will remain on further improvement and refurbishments, with R180 million already planned, while R93 million has been earmarked for equipment replacement. Security for our customers at our shopping centres remains a priority and, in line with our security strategies, additional capital will be spent to ensure we implement up-to-date technology. This cost has been included in the capital committed for 2016.

We continue to pursue a number of masterplan expansion opportunities at some of our shopping centres, but implementation remains subject to planning approvals by local councils and the commitment of key tenants.

Environmental sustainability

Hyprop is committed to implementing sustainable energy-saving initiatives, where possible. A number of projects to improve energy efficiency were completed during the year. To date, these have saved over 14 million kWh with cost savings of some R16 million, through the energy-efficient lighting replacement and solar PV projects.

We successfully installed the second phase of the solar photovoltaic plant at Clearwater Mall in August 2015. The total size of the plant (phases 1 and 2) is 1 500kW at peak, with generating capacity of 2,5GWh per annum.

Given the frequent electricity outages, new generators were installed at Hyde Park Corner for full back-up power. After minor further capital expenditure, all shopping centres in the portfolio will have sufficient back-up power.

Sub-Saharan Africa (excluding SA)

The economic environment in Ghana and Zambia deteriorated in 2015, partly due to falling oil and other commodity prices as well as fiscal and trade deficits. This resulted in depreciating local currencies and rising inflation. Both countries also experienced a severe shortage of electricity, which affected the consumer market. Subsequent to the implementation of an IMF loan package, the Ghanaian Cedi rebounded by 25%.

The performance of the dominant malls like Accra Mall and Manda Hill has remained resilient, despite the negative impact of the economic downturn.

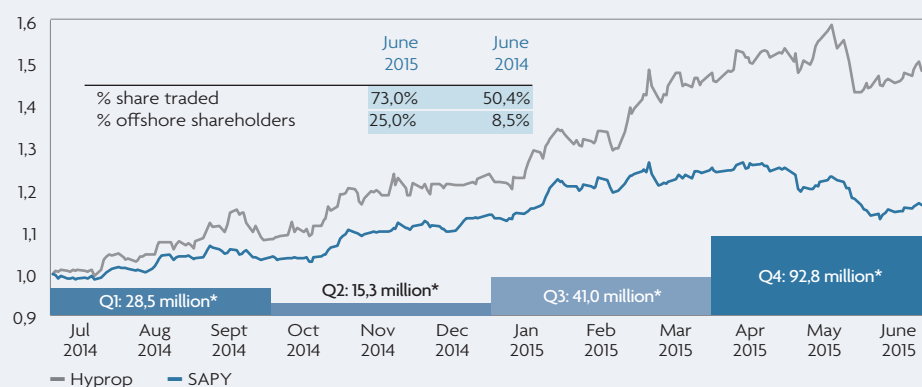
Development properties

Centre name	Rentable area m ²	Hyprop's effective shareholding %	Hyprop's effective cost USD000	Progress
Achimota Mall (Accra, Ghana)	14 624	28,1	27 101	Opened in October 2015
Kumasi City Mall (Kumasi, Ghana)	18 360	28,1	48 658	Under construction, opening April 2017
Waterfalls Project (Lusaka, Zambia)		9,4	1 031	Land holding

Shareholding

With Hyprop having a 100% free-float market capitalisation, trading volumes in our shares increased significantly during the period, especially in the last quarter. This followed Hyprop's inclusion in some of the MSCI emerging market indexes. Rising demand fuelled growth in our share price over the year, resulting in Hyprop significantly outperforming the SAPY index, as shown below.

Share price performance



* Number of shares traded per quarter

A further result was foreign shareholding rising to 25% of total shares in issue, as at 30 June 2015.

Top 15 shareholders	%
Government Employees Pension Fund	13.9
STANLIB	5.3
Old Mutual	4.9
Vanguard	3.3
Investec	3.1
MMI Holdings Limited	2.8
Investment Solutions	2.6
Eskom Pension and Provident Fund	2.6
Prudential	2.3
BlackRock	2.3
Government of Singapore Investment Corporation	2.2
Sanlam	2.0
Yerranzano Property Investments Limited	2.0
Absa	1.8
Public Investment Corporation	1.7

Outlook

Our focus on owning quality shopping centres, catering for middle to higher-income consumers, is demonstrating the resilience of our growth strategies.

Against low forecasts for economic growth in South Africa, trading conditions are expected to remain constrained in the new financial year. In line with a proven strategy, Hyprop will maintain its leading position by focusing on the quality of its core portfolio, disposing of non-core assets and maintaining our prudent debt management. Given the maturity of the shopping centre market in South Africa, we will also continue to explore emerging market opportunities to strengthen our solid pipeline.

Against this background, we forecast growth in distributions of around 10% for the financial year ahead.

Appreciation

I thank our board members for their wise counsel and support. Equally, my appreciation goes to our executive team and all our employees for their dedication and hard work, as well as our loyal service providers and tenants for their continued support.



Pieter Prinsloo
Chief executive officer

FINANCIAL DIRECTOR'S REPORT

2015 IN PERSPECTIVE



Hyprop declared a dividend of 280,3 cents per share for the six months ended 30 June 2015, an increase of 16,3% on the corresponding period in 2014. The total distribution for the year of 543 cents per share is 15,0% higher than the prior period.

Laurence Cohen, financial director

Distributable earnings statement

Business segment	12 months ended 30 June 2015		12 months ended 30 June 2014	
	Revenue R000	Distributable earnings R000	Revenue R000	Distributable earnings R000
Canal Walk (80%)	579 188	412 308	545 252	379 254
Clearwater Mall	358 011	245 039	336 499	224 585
Rosebank Mall	234 353	149 665	121 808	63 302
Woodlands Boulevard	231 701	152 821	214 842	142 336
Somerset Mall	231 100	159 387	166 624	116 017
The Glen (75,15%)	218 999	153 796	214 218	143 198
Hyde Park Corner	199 074	130 900	179 905	120 000
CapeGate	167 562	96 472	157 166	91 674
Shopping centres	2 219 988	1 500 388	1 936 314	1 280 366
Atterbury Value Mart	120 286	89 544	112 551	83 714
Willowbridge ¹	90 746	49 793	85 797	46 232
Somerset Value Mart	23 784 ¹	15 308 ¹	22 692	14 466
Value centres	234 816	154 645	221 040	144 412
Stoneridge ² (90%)	56 275	29 110	67 864	31 042
CapeGate Lifestyle ²	32 937	22 178	46 380	31 721
Properties sold	89 212	51 288	114 244	62 763
Total retail	2 544 016	1 706 321	2 271 598	1 487 541
Standalone offices³	73 126	45 866	67 900	42 159
Investment property	2 617 142	1 752 187	2 339 498	1 529 700
Investments in sub-Saharan Africa (excluding SA)		42 368	77 953	35 078
Listed property securities ⁴			37 265	37 265
Word4Word Marketing	25 807	4 243	15 008	3 180
Fund management expenses		(62 001)		(55 139)
Net interest		(417 178)		(401 484)
Straight-line rental income accrual	60 085		45 055	
Total	2 703 034	1 319 619	2 514 779	1 148 600

¹ Held for sale ² Sold during the 2015 financial year ³ Includes Glenwood, Glenfield and Lakefield – held for sale ⁴ Sycam units – sold

Hyprop has again presented a solid set of results, maintaining distribution and capital growth well above the sector average.

Hyprop declared a dividend of 280,3 cents per share for the six months ended 30 June 2015, an increase of 16,3% on the corresponding period in 2014. The total distribution for the year of 543 cents per share is 15,0% higher than the prior year.

Total revenue and distributable earnings from investment property increased by 11,9% and 14,5%, respectively, benefiting from increased income from Rosebank Mall, the inclusion of income from Somerset Mall (acquired 1 October 2013) for the full year and tight control of operating expenses. Like-for-like revenue and distributable earnings from investment property increased by 6,5% and 8,1%, respectively.

Rosebank Mall was transferred from development property to investment property on 1 July 2014. The majority of incremental income from the redevelopment was earned from 1 October 2014.

The property cost-to-income ratio reduced to 33,6% (2014: 34,4%). The total cost-to-income ratio at fund level reduced to 36,0% (2014: 37,3%).

The 3,9% increase in net interest costs for the year was limited by applying the proceeds of non-core asset sales (Stoneridge, and CapeGate Value and Lifestyle Centres) to repaying debt.

Total arrears at 30 June 2015 were R19,4 million (2014: R19,2 million). This constitutes 0,6% (2014: 0,5%) of rental income. The corresponding allowance for doubtful debts was R10,7 million (2014: R8,8 million).

Property portfolio

Business segment	Rentable area m ²	Value attributable to Hyprop		Value per rentable area 30 June 2015 R/m ²
		30 June 2015 R000	30 June 2014 R000	
Canal Walk (80%)	156 689	6 732 800	6 064 000	53 711
Clearwater Mall	86 081	3 944 000	3 473 000	45 817
Rosebank Mall	80 712	2 495 000	1 849 000	30 912
Somerset Mall	66 354	2 450 000	2 252 000	36 923
The Glen (75,15%)	79 665	2 329 830	2 059 269	38 913
Woodlands Boulevard	71 659	2 296 000	2 196 000	32 041
Hyde Park Corner	38 117	2 009 000	1 769 000	52 706
CapeGate	63 700	1 534 000 ¹	1 738 000	24 082
Shopping centres	642 977	23 790 630	21 400 269	40 816
Atterbury Value Mart	47 785	1 112 000	1 105 000	23 271
Willowbridge ⁴	42 378	622 000	594 000	14 677
Somerset Value Mart	12 546	193 000 ⁴	185 000	15 383
Stoneridge ² (90%)			432 000	
Value centres	102 709	1 927 000	2 316 000	18 762
Total retail	745 686	25 717 630	23 716 269	37 779
Standalone offices³	34 386	508 775	457 000	14 796
Investment property	780 072	26 226 405	24 173 269	36 766
Investment in sub-Saharan Africa (excluding SA)		2 339 121	2 220 721	
	780 072	28 565 526	26 393 990	

¹ Excludes CapeGate Value and Lifestyle centres – sold during the 2015 financial year

² Sold during the 2015 financial year

³ Includes Glenwood, Glenfield and Lakefield – held for sale

⁴ Held for sale

Investment property was independently valued at 30 June 2015 at R26,2 billion (2014: R24,2 billion), an increase of 12,1% (excluding the effect of disposing of Stoneridge and CapeGate Lifestyle). The higher value was primarily due to income growth, as well as a 34,9% increase in the valuation of Rosebank Mall after its redevelopment.

FINANCIAL DIRECTOR'S REPORT continued

2015 IN PERSPECTIVE

Investments in sub-Saharan Africa (excluding SA)

Distributable earnings from investments in sub-Saharan Africa (excluding SA) increased by 20,8% to R42,4 million, in part due to income from Manda Hill (Lusaka, Zambia – effective December 2013) and West Hills Mall (Accra, Ghana – effective November 2014). Income from our investments in sub-Saharan Africa (excluding SA) benefited from exchange gains of R2,3 million.

Approved funds for investment in sub-Saharan Africa (excluding SA) total R5 billion (includes amounts invested to date). Investment opportunities in other sub-Saharan countries, including Nigeria and Kenya, are being considered.

Net asset value

Net asset value (NAV) per share at 30 June 2015 increased by 17,1% to R89,04 (2014: R76,02). This was due in part to an increase in the independent valuation of the investment property portfolio.

Non-accrual for the final dividend (in accordance with IFRS and industry best practice) added R2,80 to NAV per share. On a like-for-like basis (excluding the effect of non-accrual of final dividend), growth in NAV per share was 13,4%.

At 30 June 2015, the closing share price of R121,00 represented a premium of 35,9% to NAV per share.

Borrowings

	30 June 2015 Rm	30 June 2014 Rm
Bank debt	4 250	4 902
South Africa	2 327	3 509
USD (Rand equivalent)	2 193	1 393
Debt capital market (DCM)	2 172	2 297
Corporate bonds	1 800	1 600
Commercial paper	372	697
Cash and cash equivalents	(138)	(125)
Net borrowings	6 554	7 074
Loan to value (%)	22,9	26,6

Net borrowings reduced after repaying South African bank facilities from the proceeds of non-core asset sales.

At 30 June 2015, interest rates were fixed for 94,5% (2014: 71,4%) of borrowings, at a weighted average rate of 7,1% (2014: 7,5%), for an average 5,2 years (2014: 4,2 years).

During the year, Hyprop extended a number of interest rate swaps at only marginal additional cost, resulting in an average fixed rate maturity profile of over five years.

The ratio of debt with fixed interest rates increased during the year, in part due to debt repayments (without breaking any interest rate swaps), and due to fixing the US Dollar (USD) debt incurred to restructure the interest in Manda Hill, Zambia.

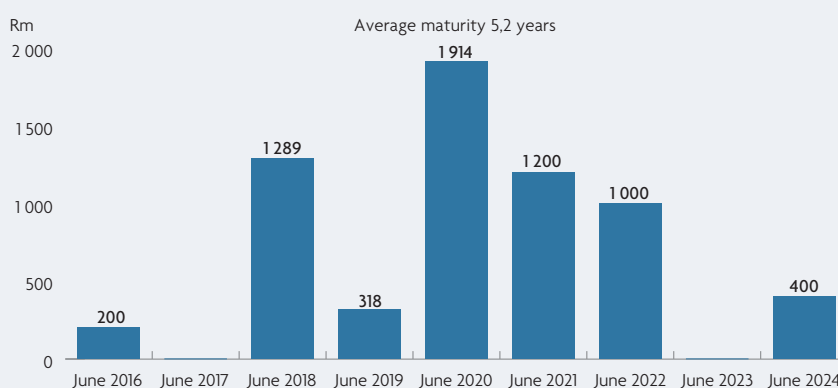
Investments in sub-Saharan Africa (excluding SA) are financed with USD funding. An increase in the ratio of USD funding to total debt to 33,5% (up from 19,7% at 30 June 2014) effectively reduces the overall cost of funding.

Debt capital market funding at 30 June 2015 was 32% of total debt (2014: 32%).

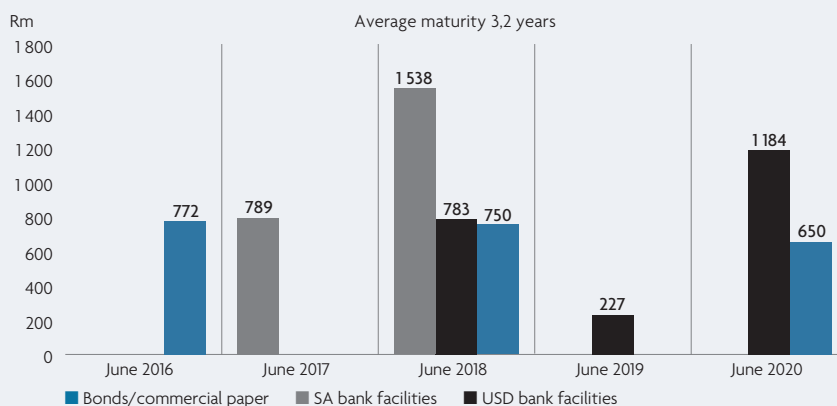
The loan-to-value ratio, at 22,9%, is below Hyprop's ideal range of 30% to 40%. Higher loan-to-value levels depend largely on corporate activity, particularly acquisitions. In the absence of significant acquisitions, it is unlikely that the loan-to-value ratio will reach these levels.

The maturity profile of Hyprop's debt facilities, fixed rate agreements and interest rate swaps is reflected below:

Maturity profile Fixed rates and swaps



Debt maturity profile Bank facilities and debt capital market funding



Cash management

All rental income earned by the company, less property expenses and interest on debt, is distributed to shareholders semi-annually.

Cash collected between distribution payments is paid into floating rate debt facilities to benefit from the interest saving.

New developments and capital expenditure are funded with debt while acquisitions, depending on their size, may be funded in part by equity. Proceeds from the sale of non-core assets will be applied to capital expenditure, developments and the reduction of debt.

Appreciation

I thank the finance team for their dedication, commitment and hard work during the year. I also extend my appreciation to my fellow board members for their sound advice and valued guidance.

Laurence Cohen
Financial director

FIVE-YEAR REVIEW

at 30 June 2015

2015 IN PERSPECTIVE

	30 June 2015 ⁽²⁾ R000	30 June 2014 ⁽²⁾ R000	30 June 2013 ⁽¹⁾ R000	31 December 2012 ⁽²⁾ R000	31 December 2011 ⁽²⁾ R000
REVENUE	2 703 034	2 514 779	1 099 489	2 177 625	1 583 157
Investment property income	2 642 949	2 432 459	1 008 671	2 016 184	1 350 937
Straight-line rental income accrual	60 085	45 055	15 879	9 208	100 214
Listed property securities income		37 265	74 939	152 233	132 006
Property expenses	(887 918)	(837 822)	(347 277)	(714 284)	(511 681)
Net property income	1 815 116	1 676 957	752 212	1 463 341	1 071 476
Other operating expenses	(64 611)	(82 480)	(27 729)	(53 885)	(43 855)
Net interest	(351 647)	(394 721)	(191 723)	(404 827)	(208 325)
Received	157 344	65 645	17 234	22 180	31 416
Paid	(508 991)	(460 366)	(208 957)	(427 007)	(239 741)
Net operating income	1 398 858	1 199 756	532 760	1 004 629	819 296
Change in fair value	2 426 584	1 532 852	1 403 721	1 273 905	335 646
Investment property	2 467 113	1 655 897	1 198 105	1 137 924	236 654
Straight-line rental income accrual	(60 085)	(45 055)	(15 879)	(9 208)	(100 214)
Listed property securities (on disposal)		(82 266)	(2 842)	315 259	258 716
Derivative instruments	19 556	4 276	224 337	(170 070)	(59 510)
(Loss)/profit on disposal	(5 768)	190 760	28 061	(15 221)	(9 835)
Investment in subsidiary	(30 011)				
Investment property	24 243	4 460	90	(11 886)	(6 129)
Listed property securities		168 869	27 971	(3 335)	(3 706)
Associate		17 431			
Amortisation of debenture premium		102 806	49 119	487 925	231 354
Impairment of goodwill	(4 280)	(7 779)			(547 654)
Gain on bargain purchase (African Land)		102 895			
Non-core income			1 009		4 555
Income before debenture interest	3 815 394	3 121 290	2 014 670	2 751 238	833 362
Debenture interest		(1 147 443)	(517 831)	(994 333)	(741 703)
Net income before equity-accounted investments	3 815 394	1 973 847	1 496 839	1 756 905	91 659
Share of loss from joint ventures	(17 447)				
Share of income from associate	652	462	4 262	144	9 949
Profit before taxation	3 798 599	1 974 309	1 501 101	1 757 049	101 608
Taxation	(19 023)	(17 719)	2 239 008	(753 169)	(185 639)
Profit/(loss) for the year/period	3 779 576	1 956 590	3 740 109	1 003 880	(84 031)
Non-controlling interest		(8 103)			
Total profit/(loss) for the year/period attributable to shareholders (2011 to 2014: unitholders) of the company	3 779 576	1 948 487	3 740 109	1 003 880	(84 031)
Investment property at fair value	25 000 630 ⁽³⁾	22 230 404 ⁽³⁾	18 655 496	17 480 030	17 271 864
Distribution per share (2011 to 2014: combined unit) (cents)	543	472	213	409	383

⁽¹⁾ Six months⁽²⁾ Twelve months⁽³⁾ Excludes investment property held for sale

VALUE ADDED STATEMENT

for the year ended 30 June 2015

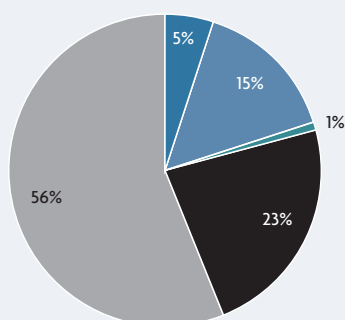
2015 IN PERSPECTIVE

Value added is a measure of the wealth created by the group and its employees through its various business activities. This statement shows the value added and how it was shared.

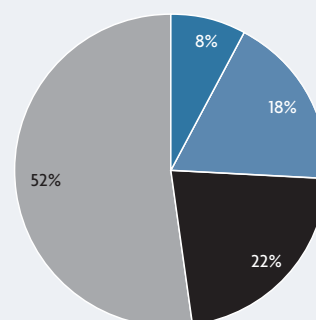
	Unaudited 12 months to June 2015 Rm	%	Unaudited 12 months to June 2014 Rm	%
Investment property income	2 643		2 432	
Listed property securities income			37	
Property expenses excluding employee remuneration and municipal charges	(285)		(211)	
Other operating expenses	(62)		(82)	
Dividends received	47		35	
Total value created	2 343		2 211	
Value distributed				
To employees				
Remuneration and benefits	124	5	167	8
To providers of finance				
Finance costs	352	15	401	18
To government				
Current taxation	12	1		
Municipal charges	535	23	496	22
To providers of capital				
Distributions to shareholders (2014: unitholders)	1 320	56	1 147	52
Total value added	2 343		2 211	

Value distribution

12 months to June 2015



12 months to June 2014



- Remuneration and benefits
- Finance cost
- Current taxation
- Municipal charges
- Distributions to shareholders (2014: unitholders)

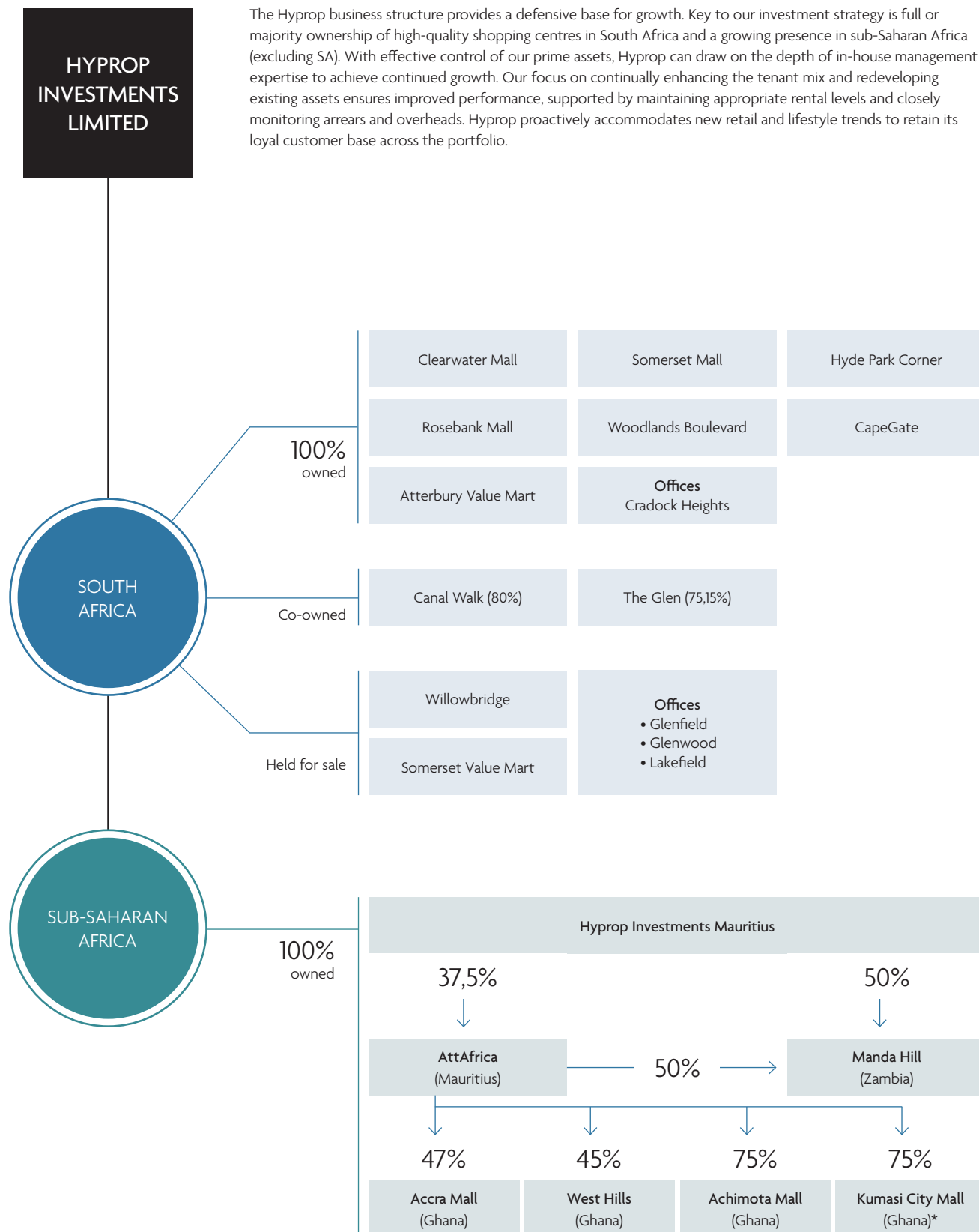




GROUP OVERVIEW

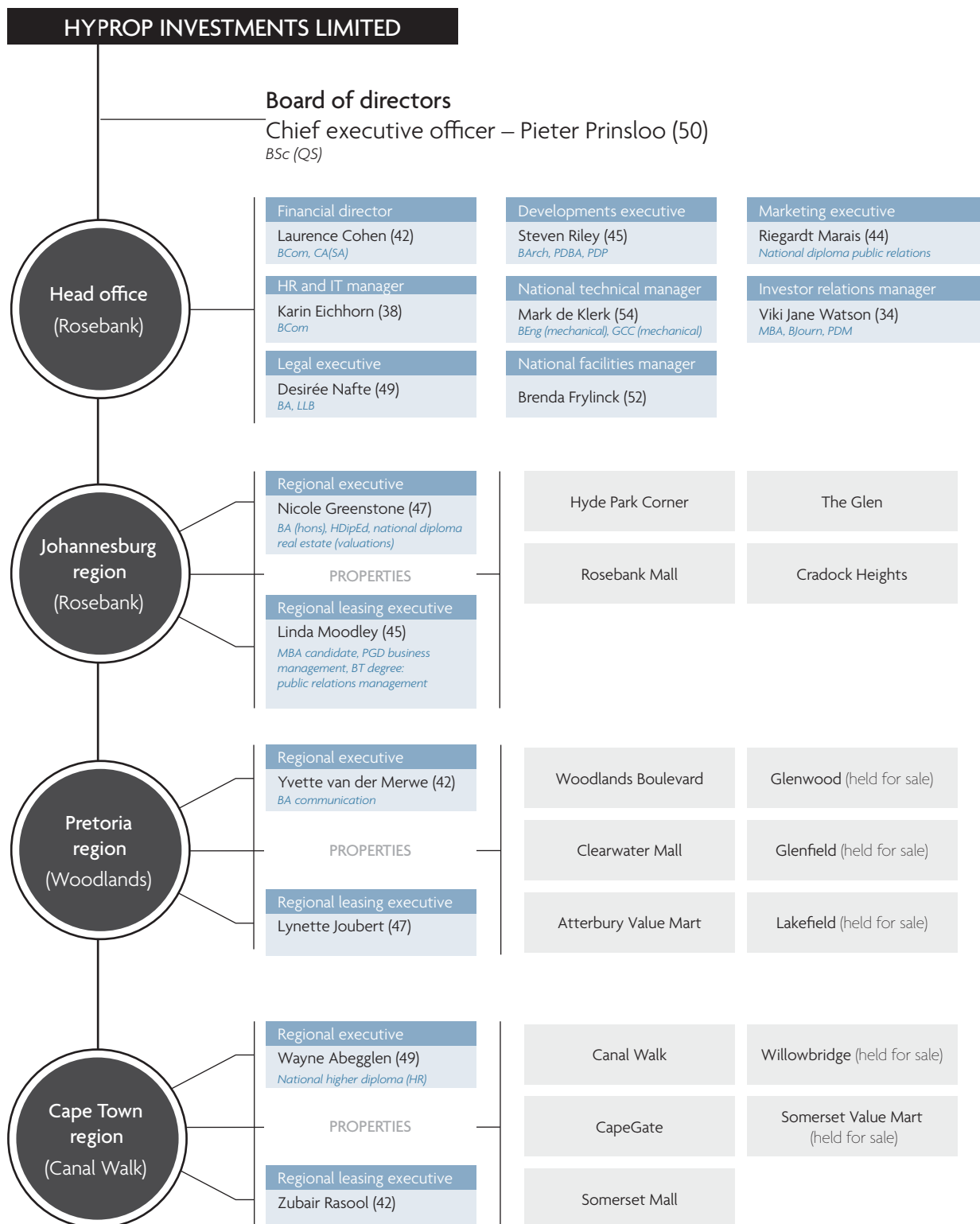
HYPROP'S BUSINESS STRUCTURE

GROUP OVERVIEW



* Under development

COMPANY STRUCTURE



DIRECTORATE

GROUP OVERVIEW

Independent non-executive directors



1. **Gavin Tipper (50)**

Chairman

BCom, BAcc, CA(SA), MBA

Gavin has been involved in the financial services industry for over 20 years, and was an executive director of Coronation Investments and Trading Limited and a technical partner at KPMG South Africa. He is a director of a number of listed companies.

Appointed: Chairman 2013

Committees: Audit, remuneration and nomination



2. **Ethan Dube (56)**

MSc (statistics), executive MBA (Sweden)

Ethan has significant corporate finance and asset management experience. He spent three years with Southern Life Asset Managers as a senior analyst and two years with Standard Bank in the corporate finance division. In 1996, he founded Infinity Asset Management with three partners and in 1998, founded Vunani Limited, a financial services company where he is currently CEO.

Appointed: 2006

Committee: Remuneration and nomination (chair)



3. **Louis van der Watt (48)**

CA(SA), CIMA (UK)

Louis co-founded Atterbury Property, one of the largest property developers in South Africa in 1994, after completing his articles at Deloitte Consulting, the management consulting arm of Deloitte & Touche. He also co-founded Attfund Limited, subsequently acquired by Hyprop and co-founded Attacq Limited, which is now listed on the JSE.

Appointed: 2011



4. **Lindie Engelbrecht (40)**

CA(SA)

Lindie is a former technical director at KPMG and director of governance and sustainability services at Ernst & Young. She previously served as CEO of the Institute of Directors (IoD). Lindie is a member of the King Committee on Corporate Governance and has advised, consulted and presented to boards in the public and private sectors on corporate, legal and governance matters.

Appointed: 2011

Committees: Audit (chair), risk, remuneration and nomination



5. **Thabo Mokgatla (40)**

CA(SA)

Thabo began his career as a senior lecturer in accounting and taxation at the University of the North West. He subsequently worked as finance manager of the North West Parks Board, centre manager in the Rustenburg office of the auditor-general and finance manager of Royal Bafokeng Administration. He serves on the boards of a number of listed companies.

Appointed: 2013

Committee: Audit



6. **Mike Lewin (60)**

BCom, BAgric management

Mike has over 25 years' experience in the property industry and headed the group retail division of Redefine Properties Limited until December 2013. He was previously with Edgars Consolidated Stores Limited for 18 years as its property development executive.

Appointed: 2010

Committee: Social and ethics (chair)

Non-executive directors



7. Kevin Ellerine (47)

National diploma in company administration

Kevin joined the family business, Ellerine Holdings, in 1991 as merchandise manager. In 1993, he became property manager of Ellerine Bros Proprietary Limited, and was appointed managing director of the property division in 2000. He sits on the boards of all property and private equity companies in which Ellerine Bros is invested.

Appointed: 2009

Committee: Investment



8. Stewart Shaw-Taylor (63)

CA(SA)

Stewart has over 30 years' experience in investment banking and real estate. He is currently head of CIB Real Estate Investments, Standard Bank Group. He is responsible for the equity-related real estate activities undertaken by Standard Bank's corporate investment banking division.

Appointed: 2000

Committees: Risk (chair), remuneration and nomination, investment



9. Louis Norval (59)

BSc (QS)

Louis co-founded Attfund Limited and was executive chairman and chief executive of Attfund Retail Limited when it was acquired by Hyprop. He is managing director of the Parkdev group of companies. Louis was a founding member and senior partner of Norval Wentzel Steinberg Quantity Surveyors and executive director of Baker Street Associates Holdings Proprietary Limited. He currently serves as a non-executive director of Capital & Regional plc.

Appointed: 2011

Committee: Investment

Executive directors



10. Pieter Prinsloo (50)

Chief executive officer

BSc (QS)

Pieter was CEO of Hyprop from 2002 to 2009, and was reappointed in May 2011. A quantity surveyor, he has been engaged in every aspect of property development, management and finance for over 20 years, including senior positions at Sanlam Properties, Standard Bank Properties and Absa Commercial Property Finance.

Appointed: 2011

Committees: Investment (chair), social and ethics, risk



11. Laurence Cohen (42)

Financial director

BCom, CA(SA)

Laurence joined the group in 2003 as financial director of Hyprop management company, after three years in Grant Thornton's corporate finance division. He has been extensively involved in various aspects of the group during his tenure. Laurence also chairs the accounting and JSE committee of the SA REIT Association, and serves on its executive committee.

Appointed: 2006

Committees: Investment, risk

EMBEDDING SUSTAINABILITY IN OUR BUSINESS

GROUP OVERVIEW

Hyprop operates today, with tomorrow in mind. We understand that the concept of sustainability is built on three pillars: economic prosperity, social equity and environmental protection. Our growth strategy aims to meet short-term goals while protecting long-term economic, environmental and social targets.

Equally, we understand that the purpose of business is to increase profitability and value. To achieve this, management consider our organisational strengths, internal and external opportunities, while assessing threats and weaknesses to ensure we control risks to promote long-term sustainability.

Sustainability model

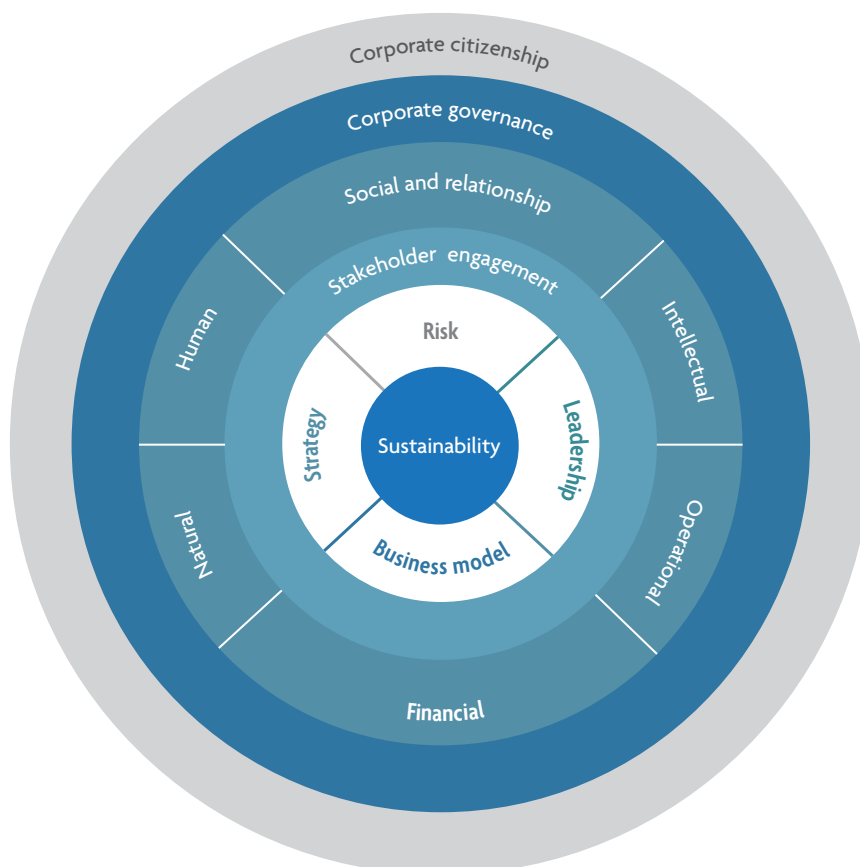
The goals of King III and integrated reporting include transparent corporate disclosure on how value is created and how companies approach corporate citizenship.

The model below illustrates Hyprop's strategic and operational approach to the six capitals (financial, operational, intellectual, human, social and relationship, and natural). Hyprop understands that it does not operate in isolation, nor can it ever own its entire value chain. By entrenching reporting structures that monitor our progress on

corporate governance, risk, strategy and stakeholder engagement, and thus ultimately performance, Hyprop is able to focus on long-term sustainability.

In 2015, the group further entrenched its strategic sustainability priorities from an economic, social, environmental and governance perspective. By regularly engaging with key stakeholder groups (read more on page 71), we gain valuable insight for informed decisions on sustainability, materiality and risk management.

Given that Hyprop stakeholders are central to its risk strategy, and in line with its focus on an integrated approach, financial and non-financial risks are addressed and debated as transparently as possible. Appropriate risk strategies are in place throughout the group, with executive responsibility for implementation.



HYPROP CAPITALS

GROUP OVERVIEW

Hyprop capitals^{*}

Focus areas

Operational – Upgrading and enlarging our existing portfolio; pursuing appropriate acquisitions and disposing of non-core assets

Human – Black economic empowerment and employment equity

Financial – Fixed interest rates of 94.5% of debt (from 71.4%) and increased average period of cover to 5.2 years (from 4.2 years)

Social and relationship – Support local communities and stakeholders

Intellectual – Optimal use of technology

Measure

Operational – Dividend/distribution growth; shopping centre contribution to net income; refurbishments and expansions

Human – Key skills retention; skills development; diversity; succession planning

Financial – Occupancy level; tenant arrears; rent collections; cost of funding



Natural – Resource management: implementing environmental strategy (page 53)

Social and relationship – Community development; connecting with shoppers

Material issues

Operational – Turnover densities; tenant mix; increases in cost of occupancy

Natural – Energy, water and waste management

Financial – Africa expansion; growth in South Africa

Human – Succession planning; diversity

Intellectual – Use of technology



Material risks identified by the group in terms of probability, as well as potential impact, are set out on pages 28 to 31

Risks

Operational – Slowing consumer spend; increased supply of retail space; impact of extensions on existing operations; cost of occupancy (municipal and electricity tariffs); deterioration of municipal services and administration; black economic empowerment rating

Financial – Lack of available funding; rising interest rates; sub-Saharan Africa: currency risk, political risk

Natural – Cost and security of electricity and water supply; increased legislation

Intellectual – Inefficient use of technology escalates operating costs; loss of data

New technology – Footfall; changes in technology (high-speed wi-fi) in our business

^{*} Capitals (financial, operational, intellectual, human, social and relationship and natural) are further defined in the Hyprop business model on page 26.

HYPROP'S BUSINESS MODEL

GROUP OVERVIEW

In doing business, we understand that the six capitals (financial, operational, human, natural, social and relationship, and intellectual) influence the group and its impact on society, the environment and the economy. We have considered our activities against these capitals and believe that we operate responsibly in the best interest of stakeholders, as a good corporate citizen.

The goal of this integrated report is to enable stakeholders to ascertain Hyprop's short, medium and long-term sustainability, which can be viewed from two perspectives: value created for the company and value created for stakeholders.

While providers of financial capital are interested in the value the group creates for itself, the value it creates for stakeholders may affect Hyprop's ability to create value for itself. Our business model illustrates how the company balances this value creation for the benefit of all stakeholders, based on the core principles of our mission.

Inputs	
Financial <ul style="list-style-type: none"> – Sources of funding: debt and equity – Economic climate 	
Operational <ul style="list-style-type: none"> – High-quality, dominant shopping centres in metropolitan areas in strong economic nodes – Internal asset and property management 	
Intellectual <ul style="list-style-type: none"> – IT systems – Regulatory compliance 	
Human <ul style="list-style-type: none"> – Experienced board of directors – Hands-on executive management – Employee development programme in place 	
Social and relationship <ul style="list-style-type: none"> – Black economic empowerment and employment equity – Education and training – Hyprop Foundation 	
Natural <ul style="list-style-type: none"> – Environmental, social and corporate governance strategy 	

Vision

Hyprop's goal is to preserve its status as the leading specialist shopping centre REIT in sub-Saharan Africa, **offering shareholders access to income and capital growth** through a specialist portfolio of premium shopping centres in a transparent, sustainable investment vehicle.

Mission

- The partner of choice for tenants, shoppers, employees and investors
- Provide a trustworthy, transparent and sustainable investment
- Promote social and environmental sustainability
- A world-class REIT that adheres to global best practice

Outputs	Outcomes
<ul style="list-style-type: none"> - Capital investment growth - Regular and progressive distribution growth - Low and responsible loan to value - Disposal of non-core assets 	<ul style="list-style-type: none"> - Like-for-like increase in NAV of 13,4% - Low loan to value of 22,9% - Proceeds from disposals used to reduce debt - Provide a trustworthy and transparent investment
<ul style="list-style-type: none"> - Rising property values - Strong contractual rental escalations - Extracting synergies, eg national service contracts - Well-contained cost structure - Geographic diversification in high-growth countries 	<ul style="list-style-type: none"> - Sustainable income growth - Improved cost-to-income ratio of 33,6% - Occupancy rate improved to 98,0% - Arrears constitute 0,6% of rent roll - Distributions for the year up 15% - Expansion into sub-Saharan Africa, with R5 billion previously approved for investment
<ul style="list-style-type: none"> - Integrated electronic property management system - Internal functions such as human resources driven by technology - Dedicated national legal executive 	<ul style="list-style-type: none"> - Reliable controls and processes supporting transparent disclosure - Strong compliance with regulatory requirements - Strong leases
<ul style="list-style-type: none"> - Sound investments providing long-term superior investment returns - Implemented share incentive scheme - Training targets exceeded during the year - Well-managed portfolio of properties generating growing income 	<ul style="list-style-type: none"> - Continuity and synergy - Implemented share incentive scheme to retain low turnover of executive management and to align company vision and strategy - Develop staff productivity and retain low staff turnover
<ul style="list-style-type: none"> - Sustainable social responsibility through education, training and enterprise development 	<ul style="list-style-type: none"> - Addressing skills shortage - Reliable succession plan - Opportunity to give back to stakeholders - Improved reputation
<ul style="list-style-type: none"> - Environmentally efficient properties - Second year of participating in Global Real Estate Sustainability Benchmark (GRESB) - Institute of Directors (IoD) governance assessment 	<ul style="list-style-type: none"> - Reduced environmental footprint - A number of projects aimed at improving energy efficiency were completed during the year. To date, these have saved 14,2 million kWh with cost savings of R15,9 million - AAA rating in IoD governance instrument

RISK MANAGEMENT

GROUP OVERVIEW

Risk management

The material risks identified by the group in terms of their probability and potential impact on Hyprop are shown below. Each risk has been mapped to the strategic objective on which it could have an impact, affected stakeholders, management's strategic response and related key performance indicators.

Approach

Hyprop's system of internal control is designed to provide reasonable assurance as to the integrity and reliability of the financial statements. By managing rather than eliminating applicable risks, these systems are intended to safeguard, verify and maintain accountability of the company's assets. Equally, they are designed to identify and minimise significant fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

Framework/process

The board reviews and monitors the efficacy of systems of internal control, assisted by the audit and risk committees. These committees in turn are assisted by management reporting and periodic reviews, as well as reports from an outsourced internal audit service provider. The committees report to the board on the findings of the internal audit function.

	Strategic objective	Key risk	Probable effects	Severity of risk	
South African economy	Focus on sustainable income growth	Low GDP growth impacts business growth in South Africa	<ul style="list-style-type: none"> Slower retail sales growth affects retailers' financial positions and ability to pay rent 	High	
		Slowdown in consumer spend affecting retailers' trading densities and rent ratios	<ul style="list-style-type: none"> Small line stores under pressure Leases not renewed Discounted rentals to retain tenants Lower distributable income 	High	
		Potential increase in interest rates	<ul style="list-style-type: none"> Increased borrowing costs result in reduced distributable income 	Low	
		Downgrading of sovereign credit rating	<ul style="list-style-type: none"> Growth and national/global competitiveness at risk Reduced foreign direct investment Increased borrowing costs 	Medium	
Leasing	Focus on sustainable income growth	Increased supply of retail space in the market	<ul style="list-style-type: none"> Discounted rentals to retain tenants Tenants become more demanding on leasing terms Increased vacancies Leases not renewed Increased pressure on renewal terms Lower rental growth 	High	
		Tenants more cautious on renewals and new lettings	<ul style="list-style-type: none"> Inability to renew leases or retain tenants means increased vacancies and prolonged periods of vacant space in shopping centres 	Medium	
		Tenants taking less space and slower extension plans	<ul style="list-style-type: none"> Negative impact on budgets 	Medium	
		Significant volume of leases expiring in any one period	<ul style="list-style-type: none"> Negative rent reversion 	Medium	
		Lease renewals and tenant retention	<ul style="list-style-type: none"> Discounted rentals to retain tenants 	Medium	
		Restrictive clauses in leases	<ul style="list-style-type: none"> Discounted rentals to retain tenants 	Medium	

Internal risks (under the control of management)

External risks (able to be mitigated by management)

External risks (outside the control of management)

Executive management implements controls to ensure the validity, accuracy and completeness of financial information. These controls are reviewed by internal and external audit. External audit reports on the fair presentation of financial information at statutory reporting level. On an operational level, this is done by the executive committee.

The risk committee

The risk committee is constituted as a subcommittee of the board. The committee has an independent role, operating as an overseer and makes recommendations to the board for its consideration and final approval. The committee 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 committee, inter alia, is to adopt and implement an appropriate risk management policy, which is in accordance with industry practice. For further detail in respect of the role and mandate of the risk committee, please refer to the risk committee charter online.

Stakeholder	Strategic response/mitigation	Key performance indicator
<ul style="list-style-type: none"> Providers of capital (debt and equity investors and financial institutions) Tenants Mall customers 	<ul style="list-style-type: none"> Facilitate strong trading environments by developing shopping destinations of choice, offering an attractive tenant mix with exciting brands and flagship stores in a safe, clean and friendly environment 	Arrears, trading densities, rent affordability
<ul style="list-style-type: none"> Tenants Providers of capital (debt and equity investors, financial institutions) Mall customers 	<ul style="list-style-type: none"> Hyprop malls are well established, in dominant locations and often attract flagship stores Contractual lease income with financially sound tenants (most tenants are reputable national companies with strong balance sheets and proven business models) Increase shopper time spent in malls, through initiatives such as wi-fi and active marketing and social media strategies Provide geographic diversification (eg sub-Saharan expansion) 	Arrears, trading densities, rent affordability
<ul style="list-style-type: none"> Providers of capital (debt and equity investors and financial institutions) 	<ul style="list-style-type: none"> Increased borrowing costs result in reduced distributable income 94.5% of debt fixed for 5.2 years, and staggered fixed interest rate Proactive management of interest-bearing borrowings 	Maturity profile, cost of funding
<ul style="list-style-type: none"> Providers of capital (debt and equity investors and financial institutions) 	<ul style="list-style-type: none"> Provide economic and geographic diversification through sub-Saharan investments High ratio of fixed debt Introduction of unsecured debt in the form of debt capital market funding (DCM) 	Distribution growth
<ul style="list-style-type: none"> Tenants Mall customers Providers of capital (debt and equity investors, financial institutions) 	<ul style="list-style-type: none"> Meet tenant demand through extensions and tenant relocations Demand for space in Hyprop centres continues to outstrip supply, resulting in a strong pipeline of prospective tenants The executive committee meets monthly to discuss operational performance 	Leasing activity, rental growth, contractual escalations, workload (percentage of total leases expiring in one financial year)
<ul style="list-style-type: none"> Tenants Mall customers Providers of capital (debt and equity investors, financial institutions) 	<ul style="list-style-type: none"> Close engagement with tenants throughout their tenure Stagger major lease expiries Proactively manage lease expiries Ensure a strong pipeline of prospective tenants Monthly lease expiry and related workload reports to executive committee 	Workload

RISK MANAGEMENT continued

GROUP OVERVIEW

	Strategic objective	Key risk	Probable effects	Severity of risk	
Acquisitions, developments and disposals	Continuous portfolio improvement	Dilutionary acquisitions, developments and disposals	<ul style="list-style-type: none"> Lower growth in distributions 	Medium	
		Capital budget exceeded for development/redevelopment	<ul style="list-style-type: none"> Project yield compromised Inefficient capital allocation 	Medium	
		Ineffective progress monitoring for development/redevelopment	<ul style="list-style-type: none"> Project end date being compromised, escalating project costs and the yield being compromised. 	Medium	
BBBEE	Attracting and retaining the best people	Current BEE level of 6	<ul style="list-style-type: none"> Major tenants prefer landlord to have reasonable BEE rating Potential impact on corporate activity in SA Potential for regulatory penalties 	High	
		Negative impact of the new codes			
		Transformation required in ownership, directors and senior management			
Energy efficiency	Operating an environmentally sustainable business	Potential introduction of carbon tax in 2016	<ul style="list-style-type: none"> Increased operational costs 	High	
		Failure to meet primary targets (for energy, water, recycling and carbon consumption)	<ul style="list-style-type: none"> Possible reputational damage with the investment community 		
Electricity	Providing the highest level of service to our tenants	Increased cost of occupancy due to electricity price increases	<ul style="list-style-type: none"> Unable to recover tenants' portion of consumption means lower distributable income 	High	
		Negative impact of disruptive electricity supply on the economy and at Hyprop malls	<ul style="list-style-type: none"> Lower rentals to retain certain tenants Prolonged periods of power outages resulting in sub-optimal trading conditions 		
		Increase in capital cost to provide more generators	<ul style="list-style-type: none"> Increased electricity and diesel costs 		
Local councils	Providing the highest level of service to our tenants	Increased cost of occupancy from rates, taxes and utilities	<ul style="list-style-type: none"> Cost and supply of electricity and water Excessive increase in cost of occupancy impacting recoveries and renewals 	Medium	
		Deterioration of municipal administration and service delivery	<ul style="list-style-type: none"> Incorrect utility billings Delays in transfer of acquisitions and disposals Inadequate services provided Billing errors Excessive lead times for town planning approval 	High	
Security	Providing the highest level of service to our tenants	Increased levels of crime at shopping centres	<ul style="list-style-type: none"> Hyprop forced to spend more capital on security equipment Crime, robberies, theft, etc at shopping malls Negative impact on footfall Reputational damage for Hyprop and for its malls 	High	
Sub-Saharan Africa	Increase portfolio and geographic diversification	Weakening of currencies placing local tenants under pressure	<ul style="list-style-type: none"> Unable to repatriate funds due to illiquid currency markets or capital restrictions Reduced distributable income Excessive volatility in exchange rates 	High	
		Slowdown in consumer spend	<ul style="list-style-type: none"> Small line stores under pressure Leases not renewed 	High	

Internal risks (under the control of management)

External risks (able to be mitigated by management)

External risks (outside the control of management)

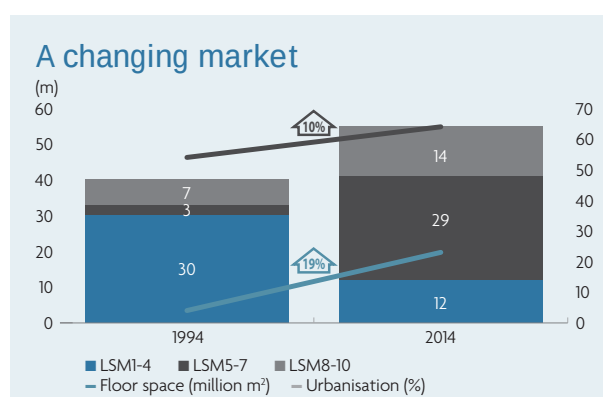
Stakeholder	Strategic response/mitigation	Key performance indicator
<ul style="list-style-type: none"> Providers of capital (debt and equity investors and financial institutions) 	<ul style="list-style-type: none"> Regular review of strategy against macro-economic environment, operating landscape, returns and risk tolerance Disposal of non-core assets Monthly monitoring of capital expenditure Detailed analysis and research prior to approval Meet pre-letting requirements Ongoing review of design and monitoring of construction by development and centre management and the project professional team 	Approved investments and disposals with long-term growth objective
<ul style="list-style-type: none"> Providers of capital (debt and equity investors and financial institutions) Employees Suppliers Tenants 	<ul style="list-style-type: none"> Identified as a strategic imperative. Plan in place to achieve incremental and sustainable improvements 	Independent BEE rating
<ul style="list-style-type: none"> Tenants Community Employees Suppliers 	<ul style="list-style-type: none"> Environmental, social and governance (ESG) strategy document serves to provide context and guidelines for implementation 	Improved energy efficiency
<ul style="list-style-type: none"> Mall customers Tenants Municipal authorities 	<ul style="list-style-type: none"> Numerous projects under way to reduce consumption Successful objection to incorrect valuations 1 500kWp, solar photovoltaic plant at Clearwater Mall Introducing smart metering Energy-saving and similar initiatives 	Cost of occupancy – electricity consumption
<ul style="list-style-type: none"> Tenants Mall customers Providers of capital (debt and equity investors, financial institutions) 	<ul style="list-style-type: none"> Numerous projects under way to reduce consumption Tenants guided by tenant criteria document, with guidelines on reducing electricity consumption Introducing smart metering 	Cost of occupancy – water, rates and electricity consumption
<ul style="list-style-type: none"> Tenants Providers of capital (debt and equity investors and financial institutions) Mall customers 	<ul style="list-style-type: none"> Working closely with professional consultants to optimise local authority approval processes and to minimise negative impact of billing errors 	Town council approvals received, utilities recovered
<ul style="list-style-type: none"> Mall customers Tenants Community 	<ul style="list-style-type: none"> Improve quality of service provider and security equipment Better engagement between shopping centre staff, service provider, community and local police 	Improvement in crime statistics at shopping malls
<ul style="list-style-type: none"> Tenants Mall customers Providers of capital (debt and equity investors, financial institutions) 	<ul style="list-style-type: none"> Matching debt with income (USD) Consider hedging exposure in terms of material dividends received 	Size of dividend (current percentage of income)
<ul style="list-style-type: none"> Tenants Mall customers Providers of capital (debt and equity investors, financial institutions) 	<ul style="list-style-type: none"> Hyprop malls are well established, in dominant locations and often attract flagship stores Strong lease agreements with financially sound tenants (most tenants are reputable national companies with strong balance sheets and proven business models) 	Arrears, trading densities, rent affordability

THE MARKET IN WHICH WE OPERATE

GROUP OVERVIEW

The JSE-listed property sector in South Africa is a sizeable market, with some 27 companies managing assets valued at over R350 billion, with an influx of capital after the introduction of REIT legislation in 2013. The local sector is now ranked among the top 10 REIT markets globally, with a comparable value to similar sectors in Singapore and Hong Kong⁽¹⁾. However, only a limited number of REITs are sufficiently liquid to attract foreign investment, while the unlisted real estate market is dominated by South African institutions.

Since 1994, population growth, urbanisation and a rapidly growing middle class have fuelled demand for retail space, placing South Africa in the global top 10 by shopping centres and total floor space. With over 2 000 shopping centres, the country ranks sixth (behind the US, Japan, China, Canada and UK), and seventh on floor space, with some 23 million square metres. While some studies suggest that South Africa has more mall space per head (measured as m²/1 000 people) than its retail sales appear to justify, vacancies – a key indicator of a property sector's health – remain lower than the average for other countries through the cycle.



Importantly, the retail sector has become an important component in the national economy, accounting for more jobs than the mining sector, with hundreds of thousands more jobs indirectly related to the industry.⁽²⁾

⁽¹⁾ PwC: Real Estate: Building the future of Africa, 2015

⁽²⁾ Urban Studies Publication (June 2015) Lisa Steyn: Mail & Guardian



Clearwater Mall, Johannesburg

Investing in sub-Saharan Africa

Rapid urbanisation, population changes and global megatrends such as industrialisation, technology and sustainable city planning will drive growth in the real estate industry across Africa over the next five years⁽²⁾. In almost all markets surveyed in the PwC report, demand for quality retail, office and industrial space is outstripping supply as international and local occupiers capitalise on economic opportunities. The report identified key growth drivers as:

- Africa's young population is underpinning demand for different types of real estate
- Industrialisation will be accompanied by rapid growth in the retail sector
- Exports of natural resources and agriculture will remain key sources of economic growth, in tandem with increased risk for certain countries
- Infrastructure shortages will create opportunities for investment
- Government policy and legislation will influence the decision to invest, while local partnerships will become increasingly important
- Continued progress in pension fund, stock exchange and banking regimes will facilitate investment, and a broader range of investors will drive demand for real estate investment opportunities
- Technology will impact business and building practices, as well as consumer behaviour
- Sustainability will become entrenched in building design and occupier requirements, with Africa's most ambitious countries changing city design and building practices.

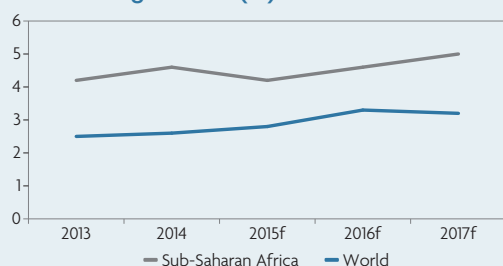
The weakening and volatility of African currencies is a risk to the company, as it places local tenants under pressure, with a consequent potential negative impact on income.

For REITs like Hyprop, a sustained economic growth rate of around 5% for the continent means an expanding urban class, with the propensity to spend.

Sub-Saharan Africa (excluding South Africa) still has a significant shortage of quality retail property – around two million square metres catering for over one billion people, compared to South Africa with 23 million square metres for 55 million people. Rapid urbanisation also means metropolitan populations are expanding at over 3% per annum, with some cities, such as Accra where Hyprop has a presence, growing at a rate well above that.

Compared to a decade ago, the metamorphosis across African cities is notable – from an explosion in real estate development to the new consumerism. And with a young, urbanising population, all forecasts support the trend continuing.

Real GDP growth (%)



Source: Global economic outlook: Sub-Saharan Africa regional forecast, The World Bank



Manda Hill Shopping Mall, Zambia



Rosebank Mall, Johannesburg



OPERATIONAL REVIEW

PROPERTY PORTFOLIO – SOUTH AFRICA

OPERATIONAL REVIEW

Geographical spread

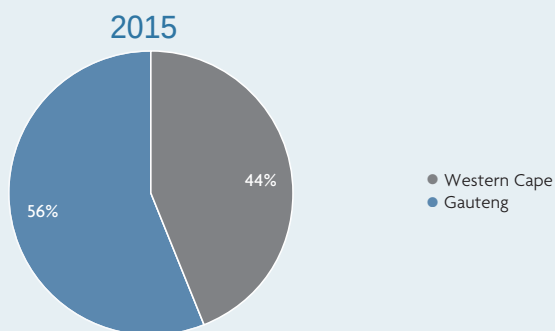
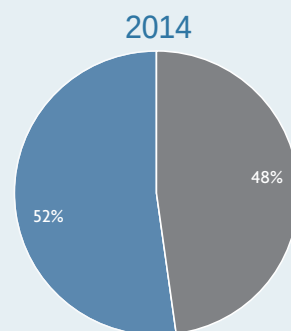
Hyprop's portfolio is dominated by retail property in high-income metropolitan areas, reinforcing its specialist profile as a shopping centre REIT. Year on year, the number of retail properties decreased to 11 after disposing of CapeGate Lifestyle, CapeGate Value Centre and Stoneridge Mall. Developments were completed at Rosebank Mall, Hyde Park Corner and Canal Walk.

	2015		2014*	
	Rentable area m ²	Revenue R000	Rentable area m ²	Revenue R000
South African consolidated spread				
Gauteng	438 405	1 491 825	403 323	1 193 779
Western Cape	341 667	1 125 317	377 816	1 023 911
Total	780 072	2 617 142	781 139	2 217 690
Retail	745 686	2 544 016	747 025	2 149 790
Office#	34 386	73 126	34 114	67 900
Total	780 072	2 617 142	781 139	2 217 690

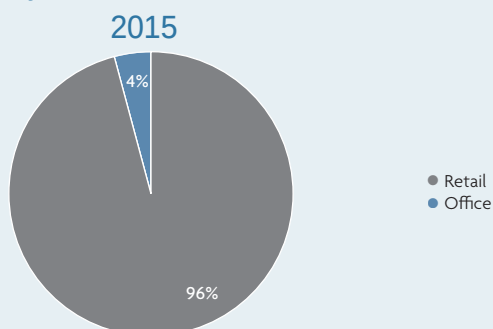
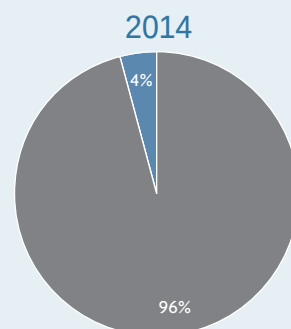
* Excluding Rosebank Mall

Standalone offices

Geographical spread by rentable area



Asset type by rentable area



Tenant profile*

Tenants in our portfolio are categorised by grade, although these categorisations are largely subjective given the strong retail nature of the Hyprop portfolio:

A grade: Large national tenants, large listed tenants and major franchisees (including all national retailers and tenants in large listed groups)

B grade: Smaller national and listed tenants, medium-sized franchisees, medium to large retailers

C grade: Smaller line stores (918 tenants)

Tenant profile	% of rentable area	% of income
A grade	65	52
B grade	20	28
C grade	15	20

* All co-owned included at 100%

Top 10 tenants by rentable area	% of total rentable area
Edcon Group	8,8
Massmart Group	6,9
Pick n Pay Limited	6,5
Woolworths	6,3
Foschini Group	4,1
Mr Price Group	3,6
Nu Metro	2,3
Shoprite Holdings	2,1
Truworths Limited	2,0
Pepkor	1,7
Total	44,3

Top 10 tenants by income	% of total income
Edcon Group	7,0
Foschini Group	5,3
Massmart Group	3,9
Mr Price Group	3,6
Pick n Pay Limited	2,4
Woolworths	2,3
Truworths Limited	2,3
Pepkor	2,0
Clicks Group Limited	1,8
Famous Brands	1,7
Total	32,3

Weighted average rental* per m² per month

Business segment	June 2015 Rental R/m ²	June 2014 Rental R/m ²	Growth %
Shopping centres			
Hyde Park Corner – retail	373	328	13,6
Canal Walk – retail	291	274	6,1
Clearwater	220	204	7,9
The Glen	218	209	4,7
Somerset Mall	209	200	4,7
Woodlands	179	168	6,4
CapeGate	152	143	6,6
Value centres			
Atterbury Value Mart	159	148	7,0
Somerset Value Mart	121	109	10,8
Willowbridge – retail	118	110	7,2
CapeGate Lifestyle**		98	
Stoneridge**		83	
Offices	120	114	5,3

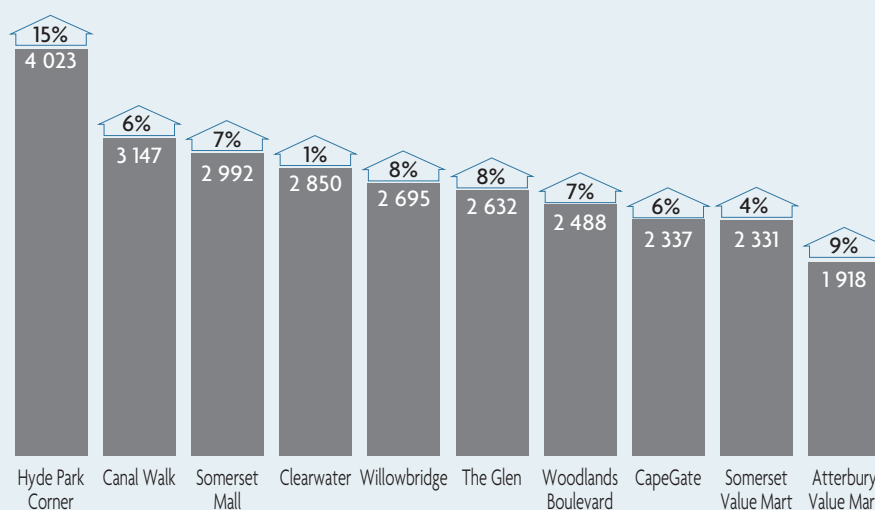
* Includes basic rent and operating costs

** Sold

Trading density

Per month (R/m²)

Average portfolio growth: 7,4% (2014: 7,0%)



PROPERTY PORTFOLIO – SOUTH AFRICA continued

OPERATIONAL REVIEW

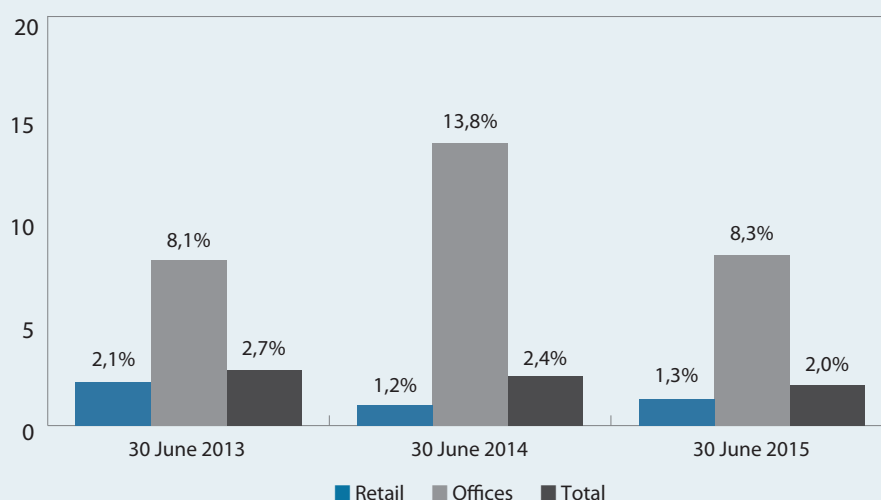
Vacancy profile

Vacancies in the retail portfolio (including Rosebank Mall) increased marginally to 1,3% (2014: 1,2%). Vacancies in the office portfolio (9,7% of the total portfolio by rentable area) reduced to 8,3% (2014: 13,8%), mainly due to new lettings at Lakefield Office Park and Canal Walk offices.

Vacancies	30 June 2015 %	30 June 2014 %	30 June 2013 %
Retail	1,3	1,2*	2,1*
Offices	8,3	13,8	8,1
Total	2,0	2,4	2,7

* Excludes Rosebank Mall

Vacancies by rentable area



Vacancies

	30 June 2015		June 2014	
	Total area available for leasing m ²	Rentable area %	Total area available for leasing m ²	Rentable area %
RETAIL				
Canal Walk	1 368	0,9	1 089	0,7
Clearwater Mall	0	0,0	18	0,0
The Glen	964	1,2	496	0,6
Woodlands	0	0,0	0	0,0
Somerset Mall	1 087	1,6	2 148	3,2
CapeGate	902	1,4	420	0,7
Rosebank	827	1,3		
Hyde Park Corner	329	1,2	0	0,0
Shopping centres	5 477	0,9	4 171	0,8
Stoneridge	Sold	Sold	1 711	3,5
Atterbury Value Mart	0	0,0	0	0,0
Willowbridge	1 674	4,2	199	0,5
CapeGate Lifestyle	Sold	Sold	2 406	7,4
Somerset Value Mart	1 987	15,8	130	1,0
Value centres	3 661	3,7	4 446	2,4
Total	9 138	1,3	8 617	1,2
Offices total*	6 247	8,3	10 755	13,8
Grand total	15 385	2,0	19 372	2,4

* Includes offices in shopping centres and standalone offices

Held for sale, disposals and acquisitions

In line with our strategy of primarily owning premium shopping centres, we are disposing of our standalone office portfolio and non-core retail assets. To date, the following properties have been sold:

Proceeds	Rm
CapeGate Value Centre	30
CapeGate Lifestyle Centre	323
Stoneridge	480
Total	833

The proceeds of these disposals were applied to reduce debt. Efforts to sell Willowbridge Centre, Somerset Value Mart and Pretoria standalone office portfolio are continuing.

Lease renewal profile

	Vacancy %	2015/2016 %	2016/2017 %	2017/2018 %	2018/2019 %	2019+ %
By income						
Canal Walk		31	16	16	11	26
Clearwater		13	12	13	8	54
The Glen		20	18	13	11	38
Woodlands		7	13	13	11	56
CapeGate Shopping Centre		24	19	13	4	40
Somerset Mall		28	16	25	19	12
Rosebank Mall		4	11	8	34	43
Hyde Park Corner		21	13	15	16	35
Willowbridge		39	14	17	7	23
Somerset Value Mart		36	39	25	0	0
Atterbury Value Centre		20	26	23	17	14
Offices		18	30	23	5	24
Total		21	16	16	13	34
By rentable area						
Canal Walk	1	32	11	13	11	32
Clearwater	0	9	6	10	4	71
The Glen	1	22	18	8	9	42
Woodlands	0	3	11	8	5	73
CapeGate Shopping Centre	1	20	17	7	2	53
Somerset Mall	2	20	10	22	34	12
Rosebank Mall	1	8	4	7	24	56
Hyde Park Corner	1	20	8	11	8	52
Willowbridge	4	38	15	12	6	25
Somerset Value Mart	16	31	32	21	0	0
Atterbury Value Centre	0	19	28	21	18	14
Offices	8	18	24	23	5	22
Total	2	20	14	13	11	40



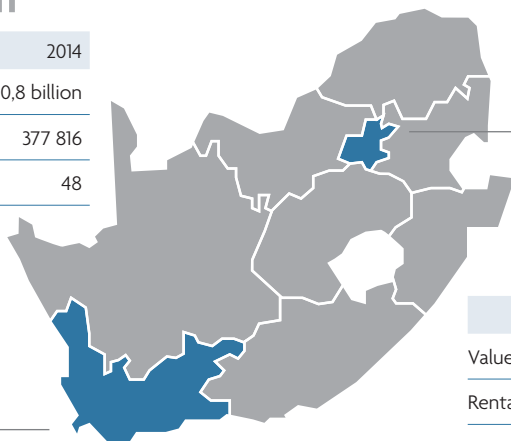
Woodlands Boulevard, Pretoria

PROPERTY PORTFOLIO – SOUTH AFRICA continued

OPERATIONAL REVIEW

Western Cape region

	2015	2014
Value at 30 June	R11,5 billion	R10,8 billion
Rentable area m ²	341 667	377 816
Rentable area %	44	48



Gauteng region

	2015	2014
Value at 30 June	R14,7 billion	R11,5 billion
Rentable area m ²	438 405	403 323
Rentable area %	56	52



Canal Walk, Cape Town

CANAL WALK

Super regional

One of Africa's premier super regional shopping centres, situated in Century City, Cape Town.

Anchor tenants	Checkers, Dis-Chem, Edgars, Game, Pick n Pay, Woolworths
Retail rentable area	146 599m ²
Stores	390
Office rentable area	10 090m ²
Parking bays	8 004
Footcount	21 201 723
Manager	Gavin Wood



Clearwater Mall, Johannesburg

CLEARWATER MALL

Large regional

The prime shopping destination in Johannesburg's western suburbs, located in a rapidly expanding residential corridor.

Anchor tenants	Dis-Chem, Edgars, Game, Pick n Pay, Woolworths
Retail rentable area	86 081m ²
Stores	237
Office rentable area	—
Parking bays	5 125
Footcount	10 110 642
Manager	Vicky Denyschen



The Glen Shopping Centre, Johannesburg

THE GLEN SHOPPING CENTRE

Large regional

The shopping destination of choice for the affluent suburbs south of Johannesburg.

Anchor tenants	Dis-Chem, Edgars, Game, Pick n Pay, Woolworths
Retail rentable area	79 665m ²
Stores	205
Office rentable area	—
Parking bays	3 700
Footcount	14 161 992
Manager	Glen Maboe



Woodlands Boulevard, Pretoria

WOODLANDS BOULEVARD

Large regional

Ideally situated near the exclusive Woodhill Golf Estate and known as the “fashion capital” of Pretoria.

Anchor tenants	Builders Warehouse, Dion Wired, Dis-Chem, Edgars, Food Lover's Market, Game, Pick n Pay, Woolworths, Nu Metro
Retail rentable area	71 659m ²
Stores	151
Office rentable area	—
Parking bays	4 200
Footcount	8 482 852
Manager	Malize Jacobs



Somerset Mall, Western Cape

SOMERSET MALL

Large regional

Situated in the scenic foothills of the Helderberg, the mall has become an indispensable part of the community.

Anchor tenants	Dis-Chem, Edgars, Game, Pick n Pay, Woolworths, Ster-Kinekor
Retail rentable area	66 354m ²
Stores	183
Office rentable area	—
Parking bays	3 809
Footcount	10 849 399
Manager	Mandy Bellamy

PROPERTY PORTFOLIO – SOUTH AFRICA continued

OPERATIONAL REVIEW



CapeGate Shopping Centre, Cape Town



Rosebank Mall, Johannesburg



Hyde Park Corner, Johannesburg

CAPEGATE SHOPPING CENTRE

Large regional

Conveniently located at the Okavango interchange on the N1 in Cape Town's northern suburb of Brackenfell.

Anchor tenants	Checkers, Edgars, Game, Pick n Pay, Woolworths, Ster-Kinekor
Retail rentable area	63 700m ²
Stores	151
Office rentable area	—
Parking bays	2 850
Footcount	10 703 861
Manager	Nicholas Oliphant

ROSEBANK MALL

Situated in the heart of cosmopolitan Rosebank, Rosebank Mall provides amenities to a wide range of shoppers, business executives and international visitors.

Anchor tenants	Clicks, Foschini, Planet Fitness, Pick n Pay, Stuttafords, Truworths, Edgars, Woolworths, Dis-Chem
Retail rentable area	62 410m ²
Stores	153
Office rentable area	18 302m ²
Parking bays	2 200 (retail) 470 (office)
Footcount	8 554 776 (from October 2014 to June 2015)
Manager	Lynda Burger

HYDE PARK CORNER

Regional

The grande dame of South African shopping, Hyde Park Corner caters for the most discerning visitors with exclusive, high-end retail.

Anchor tenants	Clicks, Dion Wired, Pick n Pay, Woolworths
Retail rentable area	27 929m ²
Stores	123
Office rentable area	10 188m ²
Parking bays	1 730
Footcount	5 123 172
Manager	Jacqui McGeehan



Atterbury Value Mart, Pretoria

ATTERBURY VALUE MART

Value/lifestyle

A convenient one-stop shopping destination in Pretoria.

Anchor tenants	Builders Warehouse, Spar, Sportsmans Warehouse
Retail rentable area	47 785m ²
Stores	98
Office rentable area	—
Parking bays	2 135
Footcount	Not measured
Manager	Danie de Beer



Willowbridge Shopping Centre, Cape Town

WILLOWBRIDGE SHOPPING CENTRE

Value/lifestyle

A world-class open-air shopping experience in the northern suburbs of Cape Town.

Anchor tenants	Builders Warehouse, Checkers, Dis-Chem, Food Lover's Market, Pick n Pay, Woolworths
Retail rentable area	39 904m ²
Stores	95
Office rentable area	2 474m ²
Parking bays	2 302
Footcount	4 252 875
Manager	Salome Thonnard



Somerset Value Mart, Cape Town

SOMERSET VALUE MART

Value/lifestyle

Fifteen outlets offer shoppers a wide variety, in one convenient location.

Anchor tenants	Fruit & Veg City, Hi-Fi Corporation, Sportsmans Warehouse, Toys R Us
Retail rentable area	12 546m ²
Stores	16
Office rentable area	—
Parking bays	745
Footcount	Not measured
Manager	Mandy Bellamy



Canal Walk, Cape Town



SOCIAL AND ETHICS REVIEW

SOCIAL AND ETHICS COMMITTEE REPORT

SOCIAL AND ETHICS REVIEW

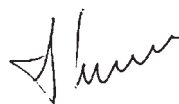
Sustainable and responsible corporate citizenship is a key driver of the group's growth strategy and daily operations. We are committed to continuously improving our operations to reduce an already low environmental impact, maintaining our role as a responsible corporate citizen in preserving environmental resources, making a positive impact on the wider community and encouraging our tenants, customers and suppliers to do the same, while enhancing the workplace for our tenants and employees.

In line with its charter, the board is the custodian of the group's values, ethics and strategic goals. The board leads by example and embodies the values set out in the code of conduct and ethics. As a business imperative, the board ensures that the company conducts its business with integrity and with a high regard to ethical values and good governance.

The social and ethics committee dealt with a wide range of issues during the year, including social and economic development, environmental, health and public safety, employment equity and black economic empowerment.

For further information pertaining to areas of the business which are addressed by the social and ethics committee, please refer to:

- Sustainability review – page 24 
- Human capital review – page 46 
- Intellectual capital review – page 51 
- Social and relationship capital review – page 52 
- Natural capital review – page 53 



Mike Lewin
Social and ethics committee chairman

HUMAN CAPITAL: INVESTMENT AND DEVELOPMENT

Our employees are essential to business performance and competitive strength and, ultimately, the sustainability of our business. Our human resources strategy is to attract and retain talented people who enhance the pools of leadership and skills for long-term growth, and strengthen the group's reputation as a good corporate citizen.

We seek to add value to the lives of all our people by providing an engaging environment for professional growth, competitive remuneration, training support for further qualifications and an inclusive and enabling culture. We work to unlock and nurture each employee's highest potential, to reward performance and address non-performance. We foster a culture of respect with zero tolerance for discriminatory behaviour.

Hyprop fully complies with employment laws and practices and is committed to protecting human rights. Our code of ethics and the disciplinary code are communicated to all employees.

Performance targets, training and skills development are reviewed annually and aligned with the group's strategy.

We are committed to creating and maintaining an environment that provides equal opportunities for all employees. Our employment equity policy codifies our commitment and stipulates the promotion of equal opportunity, elimination of unfair discrimination and implementation of measures to redress disadvantages experienced by designated groups.

Workforce breakdown

Total number of employees	2015	2014
Hyprop Investments Limited – permanent employees	199*	206
Hyprop Investments Limited – contract and casual employees (mainly information kiosk and event staff)	43	81
Percentage of employees who are "permanent" (%)	82	72
Percentage of employees who belong to a trade union (%)	0	0
Total Hyprop workforce	242	287
Word4Word – employees at Hyprop sites	39	22
Word4Word – head office and regional staff	14	13
Word4Word – staff outsourced to external business	68	37
Word4Word – total employees	121	72

* Sale of Stoneridge and transfer of staff to the new owner, contributed to the decline in permanent staff

Employment equity and transformation

We are committed to promoting equal opportunity and fair treatment by eliminating discrimination and implementing measures to redress disadvantages experienced by designated groups and to ensure their equitable representation in all occupational categories.

Hyprop's five-year employment equity plan was approved by the Department of Labour in 2013. An annual progress report is submitted in January each year. Hyprop complies with the Employment Equity Act and is committed to ongoing organisational transformation to diversify its workforce.

Our challenge is that the current workforce is not growing, and due to extremely low staff turnover, very few vacancies become available.

Employment details

Occupational levels (%)	2015														
	Male				Female				Foreign nationals		Total	Total			
	A	C	I	W	A	C	I	W	Male	Female		A	C	I	W
Top management	0,49	0,00	0,00	2,94	0,00	0,00	0,00	0,49	0,49	0,00	4,41	0,49	0,00	0,00	3,92
Senior management	0,49	0,00	0,49	2,94	0,00	0,00	0,00	6,37	0,00	0,00	10,29	0,49	0,00	0,49	9,31
Professionally qualified and experienced specialists and mid-management	2,94	0,00	1,47	6,86	0,98	0,00	0,98	6,86	0,00	0,00	20,10	3,92	0,00	2,45	13,73
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1,96	2,45	0,49	3,92	5,39	3,92	2,94	9,31	0,00	0,49	30,88	7,35	6,37	3,43	13,73
Semi-skilled and discretionary decision making	2,94	1,96	0,98	0,49	4,41	2,45	0,49	1,96	0,98	0,00	16,67	7,35	4,41	1,47	3,43
Unskilled and defined decision making	10,78	2,94	0,00	0,49	2,45	0,98	0,00	0,00	0,00	0,00	17,65	13,24	3,92	0,00	0,49
Total permanent	19,61	7,35	3,43	17,65	13,24	7,35	4,41	25,00	1,47	0,49	100,00	32,84	14,71	7,84	44,61

A – African

C – Coloured

I – Indian

W – White

Percentage of total employees by designated groups	2015 %	2014 %
African	32,8	31,7
Coloured	14,7	14,8
Indian	7,8	7,0
Percentage of total staff from designated groups	55,4	53,5
White	44,6	46,5

Percentage of total employees by designated groups



HUMAN CAPITAL: INVESTMENT AND DEVELOPMENT continued

SOCIAL AND ETHICS REVIEW

Employee earnings ratio

Performance per employee by net operating income and distributable income, as a measure of productivity, is benchmarked annually against peers.

Number of employees			Net operating income per employee			Distributable income per employee		
2015	2014	2013*	2015 R000	2014 R000	2013* R000	2015 R000	2014 R000	2013* R000
199	206	209	7 029	5 824	2 525	6 631	5 576	2 474
			21% increase year-on-year			19% increase year-on-year		

* Six-month period

Employee retention

Motivated by a stimulating working environment, competitive remuneration and fair reward, the commitment of our people to the group is reflected in high retention, especially at senior level. While low staff turnover ensures continuity and aligns group performance with our long-term strategic objectives, we remain mindful of the value of fresh insight and aim for an appropriate balance between internal and external appointments.

Employee retention 2015	Hyprop %	Average service years
Top management	100	12
Senior management	91	8
Middle management	92	9
Administration	91	9
Maintenance	98	9
Total	93	9

Movement

	(number of employees)	
	2015	2014
Internal placements	7	4
New appointments	16	17
Dismissals	1	2
Resignations	13	8
Section 197 transfers	11	0
Employee turnover (%)	7	5

The number of people who departed, relative to the total number of employees at year-end.

New appointments

	2015 %	2014 %
Black	44	63
Coloured	37	13
Indian	7	6
White	12	18

Skills development and training

Our training and development programme takes account of our own requirements, skills shortages in the property industry and transformation imperatives.

Training needs are identified during the employee review process. In addition, the group-wide skills base is objectively assessed to identify focal areas for training in the year ahead.

The objectives of our training strategy include:

- Enhancing knowledge and the skills base
- Enabling employees to contribute to our business and growth
- Encouraging further education to enhance competence in current positions and increase eligibility for promotion
- Supporting employment equity initiatives.

One of our primary objectives is to establish a succession plan by developing junior managers for middle management roles.

During the year, a combination of internal and outsourced training sessions covered key areas:

Training spend*

	2015 R	2014 R
Leadership	690 634	312 474
Business operations	536 753	292 782
Graduate programme	85 250	87 652
Green building leasing principles	9 789	60 101
Leasing and administration	63 000	31 500
Health and safety	6 406	137 786
HIV/Aids training and information	52 349	53 153
Total	1 444 181	975 448

* The actual training spend for the year exceeded the budget by 3%

Value of training

	2015					2014				
	Cost of training R	Training cost as a %	Number of people trained	Number of training interventions	Average spend per training intervention R	Cost of training R	Training cost as a %	Number of people trained	Number of training interventions	Average spend per training intervention R
Black	152 392	10	83	249	612	212 539	22	60	160	1 328
Coloured	37 363	3	40	120	311	118 131	12	37	100	1 181
Indian	223 063	15	16	51	4 374	64 421	7	10	32	2 013
White	1 022 378	71	103	309	3 309	580 357	59	92	320	1 814
Non-South African	8 985	1	3	11	817		0			
Total	1 444 181	100	245	740	1 952	975 448	100	199	612	1 594
Male	657 007	45	114	336	1 955	439 592	45	93	254	1 731
Female	787 174	55	131	404	1 948	535 856	55	106	358	1 497
Total	1 444 181	100	245	740	1 952	975 448	100	199	612	1 594

Performance management

Performance reviews of individuals are conducted annually, with biannual performance reviews against targets set out below:

Performance against these targets carries a 90% weighting at executive and senior management level. Employees are rewarded on company targets, as well as an individual performance assessments, which are conducted annually with employees on the self-service system, after performance discussions.

Individual performance evaluations cover:

- Professional conduct
- Business processes
- Customer service
- Business operations
- Employee management
- Implementation of company strategy.

Bonuses are approved by the remuneration and nomination committee and are payable in December. More detail on our remuneration policy appears on page 66.

Group key performance deliverables (KPDs)

Outcome	June 2015 %	June 2014 %
Western Cape region	110,7	106,23
Pretoria region	115,2	106,2
Johannesburg region	112,13	114,62
Group Performance against KPDs	122,0	115,9

Scoring methodology

Underperformed	Achieved 70% of target
Below expectations	Achieved 80% of target
Solid performance	Achieved 100% of target
Above expectations	Achieved 115% of target
Stretch	Achieved stretch targets (130% of target)

HUMAN CAPITAL: INVESTMENT AND DEVELOPMENT continued

SOCIAL AND ETHICS REVIEW

Additional human capital measures

Total working days	55 352
Total number of person days lost due to absenteeism (<i>sick, family responsibility and maternity leave</i>)	1 321
Percentage of total person days lost due to absenteeism – calculated or reported (%)	2
Total number of person days lost due to industrial action (ie strike action)	0
Percentage of total person days lost due to industrial action – calculated or reported	0

Employee relations

The national human resources manager is responsible for employee relations. A disciplinary and grievance policy governs these employee relations and is available on the company intranet, in hard copy at each management office, and on the website.

There were four disciplinary cases during the year, resulting in one dismissal. One grievance was reported.

Employee benefits

To entrench Hyprop as a preferred employer, we offer a range of employee benefits that exceed legislated minimum standards, including:

- Membership of a defined contribution pension fund with death, disability and funeral benefits
- Four months' partially paid maternity leave (paid at 55% of cost to company)
- Annual leave rises to 20 days after five years with the group
- Employees qualify for six days' paid study leave for approved qualifications.

Non-discrimination

Discrimination is not tolerated. Any reported instances are immediately and appropriately dealt with under our code of ethics and conduct and related disciplinary procedures. Relevant policies are regularly reviewed, updated and distributed to employees.

No incidents of discrimination were reported during the year.

Labour relations

Hyprop has no unionised employees and there was no impact on business from industrial or labour unrest during the year.



Hyde Park Corner, Johannesburg

Health and safety

Our policy is to create a safe and healthy working environment, with procedures to manage occupational incidents and compensation claims in line with legislation. In brief, we aim to:

- Provide a health and safety programme that is effective, of high standard, and continuously reviewed and improved
- Comply with relevant statutory provisions for health, safety and environmental matters that affect employees, customers, contractors and the public
- Ensure all employees are properly informed of their responsibilities for health, safety and environmental matters and discharge these effectively
- Encourage employees to participate in preventing accidents and preserving health
- Provide the resources and training to achieve these objectives.

Each shopping centre is responsible for executing this policy on site through its operations manager. At group level, the national facilities manager is responsible for bi-annual audit reports, drawing on reports from each centre.

All centres conduct regular health and safety training for employees, while third-party suppliers perform annual health and safety audits.

All construction projects have health and safety consultants who represent Hyprop and monitor activities on site regularly. On large and complex projects such as Rosebank Mall, the contractor has its own health and safety officer managing contractor teams and subcontractors.

There were no serious casualties or injuries during the year at any of our properties or projects.

HIV/Aids

Number of employees and contractors who were able to access and receive voluntary counselling and testing (VCT) for HIV/Aids	247
Number of employees and contractors tested for HIV/Aids	200
HIV/Aids prevalence rate among employees (%)	5

HIV/Aids remains an issue in South Africa that could affect the wellbeing of our employees, leading to emotional distress, absenteeism, employee turnover and lower productivity. As a formal risk assessment found the impact of HIV/Aids on the group to be negligible, Hyprop does not have targets for addressing its direct impact, nor does it have strategies for addressing indirect business risks (eg effect on customer base/supply chain).

Our formal HIV/Aids policy, reviewed annually, provides guidelines on creating a non-discriminatory workplace, dealing with HIV testing, confidentiality and disclosure, providing equitable employee benefits, dealing with dismissal and managing grievance procedures. It also ensures affected employees' rights to confidentiality.

Where employees willingly disclose their status, Hyprop encourages openness, acceptance and support.

Every year, HIV/Aids awareness days are held at each centre office by professional nurses, with an external healthcare service provider conducting voluntary counselling and testing programmes. This offers the opportunity to test for HIV, cholesterol and stress levels.

INTELLECTUAL CAPITAL

Organisation knowledge, systems and procedures

- Parking and foot counters are centrally monitored across the portfolio. This reduces downtime and improves efficiencies, while reporting is automated and can be customised. In terms of footfall, counters monitor the directional flow of shoppers in addition to the number of feet entering at respective entrances. Understanding directional flow assists in optimally locating tenants and improving the general flow of the mall
- Increased use of social media to connect with shoppers – including smartphone apps, and high-speed wi-fi at centres
- Single integrated electronic property management system with multiple benefits:
 - Financial data (including accounting, leasing and retail information for all properties in our portfolio) centrally stored using MDA Property Manager
 - Data is hosted on MDA cloud service so it can be securely accessed anywhere in the world on any device with internet access, including mobile devices
 - Processes and procedures can be standardised and controlled more effectively, while built-in redundancy and disaster recovery planning ensure data will not be lost and be easily accessible
 - External data hosting reduces the cost and maintenance of expensive computer equipment
 - From a management perspective, the financial performance of each property, multiple properties or entire portfolio can be easily reviewed
 - Tenant and lease-related data can be viewed and compared throughout the portfolio
- Information technology (IT): Hyprop understands both the benefits and risks of technology in its business. To ensure IT supports our strategic goals, we invest prudently against specified criteria and manage these systems closely to ensure optimal benefit. Oversight vests with executive management and is monitored by appropriate board committees. The strength and suitability of our IT processes is reflected in the application of the criteria of King III and the IoD's governance assessment instrument.

SOCIAL AND RELATIONSHIP CAPITAL

SOCIAL AND ETHICS REVIEW

Our social and ethics committee monitors the group's activities in terms of social and economic development, including:

- Adherence to the principles of the UN Global Compact (a policy initiative to align businesses with 10 universally accepted principles covering human rights, labour, environment and anticorruption), broad-based black economic empowerment (BBBEE), employment equity and the recommendations of the Organisation for Economic Cooperation and Development (OECD) on anticorruption
- Good corporate citizenship – promoting equality, preventing discrimination, corporate social responsibility and ethical behaviour
- Environmental, health and safety matters
- Consumer relations
- Labour and employment, including education and skills development.

Corporate social investment

Corporate social investment (CSI) takes place at group level through the Hyprop Foundation. The foundation invested R1 154 216 during the year, and R2 365 228 in added value for BBBEE compliance. Over 60% of the total investment was focused on education and feeding programmes at schools.

The added BBBEE value included use of facilities for events, staff resources and donations received from staff and stakeholders.

Rand (R) value of CSI/socio-economic development spend

R

Education	267 390
Skills development, including adult basic education and training (ABET)	140 000
Health, including HIV/Aids	3 400
Basic needs and social development, including nutrition and/or feeding programmes	718 426
Rand value of enterprise development spend (ie support for small business)	25 000

Broad-based black economic empowerment

Hyprop recognises that integrating transformation into business practice is crucial for the sustainability of the company and South Africa. The company supports the property transformation charter in this regard. The social and ethics committee is responsible for driving progress, for specific areas of the BBBEE scorecard. The board of directors of Hyprop Investments Limited and its respective management teams are dedicated to the task of substantially increasing BBBEE at all levels of their business to assist redressing the imbalances of the past and empowering historically disadvantaged individuals.

New BBBEE codes became effective from 1 April 2015, but the property sector-specific code adjustments were postponed to October 2015. Hyprop's sector code scored a level 6 (this cannot be fully determined, as the new sector codes have not been applied yet).

View our BBBEE certificate online. 

Preferential procurement

- Hyprop encourages preferential procurement, guided by procedures in its code of conduct. All our suppliers have been verified, and 93,8% of our procurement spend is BBBEE compliant
- During the year, we spent almost R2 804 116 993 with qualifying certified BBBEE suppliers for a range of services, of that R2 893 506 with suppliers classified under black-owned enterprise development suppliers and R2 087 262 classified under female black-owned enterprise development.

Fines

Hyprop incurred no fines or prosecutions for non-compliance with social laws and regulations during the year.

NATURAL CAPITAL: ENVIRONMENT IMPACT

SOCIAL AND ETHICS REVIEW

Highlights

- Cost savings of R15,9 million
- 75,5% of waste recycled
- Second submission to CDP on carbon emissions
- Second participation in GRESB

Given the nature of our business, Hyprop has a low environmental footprint. Despite this, reducing our environmental impact remains integral to our commitment to continuously improve our operations. The execution, reporting and review of our environmental policy are regularly monitored by the social and ethics committee.

After identifying the most relevant environmental impacts of our operations – specifically water, energy and waste – we introduced our green design and environmental strategy three years ago. Our approach

is informed by best practice, proven methods, ease of implementation, and the benefit and cost of retrofitting green design to existing buildings. Identified opportunities include lower operating costs, reduced liability and risk of higher utility costs.

This strategy is dynamic and continually reviewed against best practice and new developments. We focus on practical implementation within the parameters of a cost/benefit analysis and feasibility of retrofitting green technologies.

As a member of the Green Building Council of South Africa, Hyprop supports the council's vision and mission.

ENVIRONMENTAL STRATEGY

A comprehensive external analysis of our environmental, social and governance strategy in 2014 confirmed the value of initiatives under way and highlighted areas for improvement. This summary of our environmental strategy provides a fuller understanding of how Hyprop is mitigating environmental impacts where possible and proactively managing environmental resources.

Primary targets (baseline June 2013)

TARGET

- Energy (electrical) consumption – 1% reduction on average per annum across the portfolio
- Water consumption – 4,5% intensity reduction by 2016. 2014 target 1,5% reduction
- Recycling – 5,9% improvement across the portfolio
- Carbon emissions – in line with electricity consumption reductions

ACHIEVEMENTS

- Electricity: 2,0% reduction in 2015
- Water: 12,2% reduction in 2015

Secondary targets

TARGET

- Consider best practice in energy, water reduction, waste management and carbon emissions
- Consider green building principles
- Manage biodiversity impacts through responsible management by considering best practice
- Enhance stakeholder engagement by engaging large users and exploring collaborative opportunities
- Ensure compliance with environmental legislation
- Embed culture of environmental responsibility across the group
- Undertake annual environment-specific risk assessments
- Explore how innovation and technology can support competitiveness

International benchmarking

For the second year, Hyprop voluntarily participated in two global benchmarking programmes, illustrating our commitment to ensuring that best practice is embedded throughout our group, for the benefit of all stakeholders:

- CDP is acknowledged as the international benchmark for environmental reporting. This is an international non-profit organisation providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information in building sustainable economies (see page 55  determining our carbon disclosure)

- GRESB is an industry-driven organisation that assesses the sustainability performance of real estate portfolios (public, private and direct) around the globe. It is used by institutional investors to improve the sustainability performance of their investment portfolio, and the global property sector.

Fines

Hyprop incurred no fines for non-compliance with environmental laws and regulations during the year.

NATURAL CAPITAL: ENVIRONMENT IMPACT continued

SOCIAL AND ETHICS REVIEW

Key environmental projects completed in 2015

We completed six projects totalling R7,6 million, focused on installing energy-efficient lighting to reduce both electricity consumption and maintenance costs.

Phase 2 of our solar photovoltaic (PV) plant was installed on Clearwater Mall's parking roof (completed in August 2015). The total size of the plant (phase 1 and 2) is 1 500kW at peak, with generating capacity of 2,5GWh per annum.

Energy-efficiency initiatives

A large portion of Hyprop's total operational spend in any reporting year is on electricity (mostly consumed by tenants), energy efficiency is a financial imperative. We are implementing a range of energy-efficient solutions to better manage costs for the group and our tenants, to improve our environmental performance and to reach our targets.



Clearwater Mall, Johannesburg

Electrical consumption

	2015	2014
Total direct non-renewable energy consumption (gigajoules (GJ)) – ie from diesel burned	5 609	2 950
Total direct renewable energy consumption (GJ) from solar PV	1 839	No PV
Total indirect energy consumption (GJ) – ie from electricity consumed	10 584	9 999
Total indirect energy sold (GJ) – ie electricity recovered from tenants	914 278	875 080
Total electricity consumption (MWh)	256 906 055	277 774 894
Total energy consumption (GJ) – calculated	924 862	999 989

To better monitor the effectiveness of these initiatives and year-on-year consumption patterns, we began calculating our energy use intensity in 2013.

	2015	2014	2013 baseline
Energy use intensity (GJ/m ²)	1,27	1,31	1,56
Kilowatt hours per occupied space (m²)	2015	2014	% change
Retail	357	371	(3,7)
Office	268	212	26,4

Determining our carbon footprint

To establish an accurate baseline, we determined the group's scope 1 and 2 carbon footprint using UK Department for Environment, Food and Rural Affairs (Defra) voluntary reporting guidelines and the revised corporate accounting and reporting standard of the Greenhouse Gas Protocol, the most widely used international tool for government and business leaders to understand, quantify and manage greenhouse gas (GHG) emissions.

Hyprop participated in the CDP for the second time this year, submitting our carbon footprint for the 12 months to June 2015. Although our official 2015 score will only be available in November, our score for the prior period was 74%. KPMG has independently audited our 2015 submission, providing an indicative score of 74% to 80%, which is considered above average.

Hyprop's carbon disclosure

Total carbon emissions (tonnes of carbon dioxide equivalents, CO₂e) – calculated

	2015	2014
Total carbon emissions include the following mix:		
Scope 1*	3 260	6 571
Scope 2*	31 925	35 738
Scope 3*	261 585	250 370
Average volume of carbon emissions (scope 1 and 2) per person hour worked (tonnes CO ₂ e/HW)	0,085	0,092

* Scope 1 emissions: all direct GHG emissions.

Scope 2 emissions: indirect GHG emissions from consuming purchased electricity, heat or steam, scope 3 covers other indirect emissions, which for Hyprop is calculated as kWh purchased from the supply authority and resold to tenants.

Scope 3 emissions: includes the increase in scope 3 emissions that is tenant-driven. All our sites have bulk meters that measure total kWh consumed. Each tenant has a sub-meter that registers direct electrical consumption. Where tenants have dedicated AC units, 100% of electrical consumption is recovered. Where they share an AC system, they pay a pro rata share of the total area served by the unit.

Carbon tax

This proposed tax is based on carbon emissions, with organisations taxed on their emissions as measured in carbon dioxide (CO₂). The tax is expected to be phased in from 2016 and is being implemented to help South Africa reduce its carbon footprint. The mooted figure is R120/tonne of CO₂. This is currently envisaged as an additional surcharge on each kWh consumed and equates to 12 cents per kWh.

Based on our current submission to CDP, Hyprop has a potential tax liability of R3,8 million, with a liability of R31,4 million for our tenants.

Water

We are investigating all feasible opportunities to reduce water consumption while improving our measurement and monitoring standards. This includes installing water-efficient equipment.

At existing properties, we rely on close co-operation with tenants and customers to reduce water consumption. At new developments and during renovations and upgrades, efficiency is a determining factor in choosing technical equipment (toilets, taps, sprinkler systems and cooling systems).

Bulk water consumption is monitored daily at centres to identify unusual consumption patterns that might indicate leaks.

Water measures	2015	2014	% change
Total water consumption (kilolitres (kl))	1 123 687	1 255 043	(10,4)
Average volume of water consumed per person hour worked (ℓ/HW)	2 664	2 976	(10,4)
Target for water consumption, or reduction, against a specific denominator (ℓ/HW)	2 618	Target not set	
Retail: kl per occupied space (m ²)	1,7	1,7	0
Office: kl per occupied space (m ²)	0,32	0,26	2,3
Total: kl per occupied space (m ²)	1,6	1,6	

Water intensity	2015	2014	2013 baseline
Water use intensity (kl per occupied space (m ²))	1,5	1,4	1,9

Waste

Our waste management approach is designed to maximise recycling, minimise disposal to landfill and comply with legislation. Tenants are regularly informed about on-site waste management systems, and Canal Walk and Clearwater Mall have public recycling stations. Suitable waste segregation facilities are in place at all centres.

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

In 2015, Hyprop recycled 75% of total waste, up from 67% in 2014. While higher in percentage terms, lower group volumes reflect greater individual recycling efforts from our tenants.

NATURAL CAPITAL: ENVIRONMENT IMPACT continued

SOCIAL AND ETHICS REVIEW

Waste	2015	2014
Total mass of non-hazardous waste disposed (tonnes (t))	6 478	6 028
Total mass of hazardous waste disposed (t)	34	34
Total mass of waste sent for recycling (t)	2 964	3 111
Percentage of waste sent for recycling (%)	31	34
Recycling	2015	2014
Number of loads ordered	6 790	6 469
Quantity of units collected (t)	64 179	83 619
Recycled (%)	75	67
Recycled (m ³)	62 785	49 938

Climate change

We have formally assessed the risks and opportunities presented by climate change as part of our annual submission to CDP and group risk management process. The key direct risks lie in:

- Change in temperature extremes – higher temperatures mean air-conditioning equipment will not cope in peak summer
- Sea-level rise – danger of flooding coastal centres, most notably Canal Walk.

Environmental sensitivity

Canal Walk and Willowbridge are in biodiversity-rich areas:

- Canal Walk is part of the greater Century City precinct, which is in a national wetland conservation area, Intaka Island. Intaka is an award-winning 16-hectare conservation area, rich in birdlife and indigenous plants. The precinct has an environmental management plan to which Canal Walk adheres. In terms of the plan, no sewerage, fertilisers, herbicides or chemicals are discharged into canals that run through the precinct. Only biodegradable cleaning products are used for parking decks, walkways and walls to minimise water pollution. In addition, Hyprop contributes financially to the environmental management plan
- Willowbridge is next to the Elsiekraal River and adheres to the environmental management plan set by the council to guard against water pollution.

Current energy and carbon emission savings initiatives

Initiative	Objective	Progress/current activities
Phase 1: a 500kWp solar photovoltaic plant at Clearwater Mall Phase 2: plant increased to 1 500kWp	The plant started operating in November 2014.	Phase 1 was commissioned between November 2014 and June 2015, and the plant generated 510 729kWh, equating to a saving of 208 tonnes of coal. From August 2015, phase 1 and 2 have a generating capacity of 2,5GWh.
Capital replacement programme	Ensures capital equipment at the end of its lifecycle is replaced with energy-efficient equipment against the following criteria: non-ozone-depleting refrigerant gas; reverse cycle heating instead of electrical element heating; and performance co-efficient 3,5 or better.	All capital replacements are approved by the national technical manager. At Somerset Mall, three package units are replaced every year. Only non-ozone-depleting R410 refrigerant units with a co-efficient of performance of 3,5 or better are installed. At Canal Walk, one-third of console units are replaced annually with R410 refrigerant and energy-efficient inverter units.
Modify thermostat set points and supply temperature for chiller water	Lower energy costs in winter and summer.	Malls with Building Management Systems (BMS) installed, enabled implementation.
Variable speed drives (VSDs) for heating, ventilation and air-conditioning (AC) systems	Match speed to required output to reduce consumption.	All relevant systems fitted with VSDs.
LED lighting and occupancy sensors	Improve lamp life and reduce required power factor correction.	All mall common areas fitted with LED lighting.
Implement preventive maintenance programmes	Ensure optimal operation of equipment.	All equipment is serviced monthly in line with service level agreement.
Peak energy demand reduction	Reduce power consumption in peak periods (premium tariff) and avoid expensive peaks, reducing the cost of consumption.	Buildings that would benefit from time-of-use tariffs have been converted to this structure.
Power factor correction	Reduced consumption (in kVA), which accounts for current and pressure.	Power factor correction technology installed at all buildings where appropriate.
Light-coloured surfaces	Buildings absorb less radiant energy, reducing solar heat gain and reliance on artificial light.	By using heat-reflective paint on the roof at Woodland's Boulevard, we reduced peak load Air Conditioning (AC) consumption by 16%.
Insulating duct and pipework for heating, ventilation and AC	Reduce loss of cold air from AC systems into building environment.	Ongoing and monitored monthly through service level agreements.
Architectural shading and external planting	Reduce solar gain and energy use.	Implemented at Rosebank Mall and Canal Walk as part of extensions and refurbishments.

Water efficiency initiatives

The table below highlights ongoing opportunities to manage water more efficiently.

Initiative	Objective	Benefits	Progress
Smart metering	To improve measuring and monitoring of water consumption and identify leaks from unusual flow patterns.	<ul style="list-style-type: none"> Anomalies immediately flagged, limiting risk and consequential loss Accurately tracking consumption patterns optimises financial benefits of time-of-use tariff Balancing sub-meters back to bulk meter at all times to flag any bypassing 	Bulk check meters installed at certain sites.
Fire system water consumption	Identify leaks and illegal use of water.	To save water and avoid the abuse of infrastructure.	All buildings monitored.





CORPORATE GOVERNANCE

HOW WE GOVERN AND MANAGE OUR BUSINESS

CORPORATE GOVERNANCE

Hyprop's management team is a highly experienced and skilled group that applies a hands-on strategic and operational approach to the growing portfolio. Management is committed to corporate governance excellence to ensure sustainable performance. Hyprop's approach to corporate governance is guided by the group's code of ethics and our policies articulating the values and principles underpinning group actions.

The matrix below illustrates how the code of ethics supports our values and guides day-to-day business activities.

Responsiveness	Collaboration	Transparency	Integrity	Accountability
Implement an effective system of internal control to meet group strategic objectives	Support the process of sustainable and real transformation	Ensure independence from any business or third parties with contractual relationships with Hyprop	Avoid any conflicts of interest that may unduly influence or compromise any employee's ability to act in the company's best interests	Zero tolerance for any form of corruption, unethical business practice or behaviour that contravenes any law, regulation or public policy
Subscribe to sound health, safety and environmental practices	Uphold fair and ethical competition in the marketplace in line with relevant competition law	Ensure legitimate dealings in our shares by employee shareholders in compliance with the South African Securities Services Act 36 of 2004 and the Listings Requirements of the JSE	Refuse gifts, hospitality or other favours from third parties in return for any kind of favour, service or treatment	Avoid direct and indirect discriminatory practices
Safeguard the use of Hyprop's assets for legitimate purposes only			Conduct business with integrity, mutual respect and professionalism to enhance Hyprop's reputation	Apply or explain best practice corporate governance in line with King III Protect confidentiality of information

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Approach

Our system of corporate governance is based on the values and principles that underpin the day-to-day activities of our group, including responsiveness, collaboration, transparency, integrity and accountability. This approach encompasses a commitment to excellence in corporate governance standards that we regard as fundamental to the sustainability of the group's performance.

Applying governance principles

The board is committed to applying the recommendations of King III, complying with the JSE Listings Requirements and the Companies Act,

as well as incorporating relevant standards of best practice. In line with King III's "apply or explain" approach, the directors disclose the extent to which Hyprop applies these principles to create and sustain value for stakeholders over the short, medium and long term, and explain any instances of non-compliance. The King III application is on page 72 and in our online report. Hyprop has elected to participate in the Institute of Directors Southern Africa's (IoDSA) governance assessment instrument, achieving the highest application score of AAA. There is scope to improve our application in terms of independent assurance.



ASSESSING OUR CORPORATE GOVERNANCE

Using the IoDSA online tool, we are able to:

- Evaluate the implementation of governance structures and processes recommended by King III
- Track progress on implementing King III
- Provide a simplified framework for the board for a risk-based review of applying King III
- Facilitate a meaningful scoring mechanism for our adoption of King III
- Provide a framework for independently assuring corporate governance
- Provide an audit programme for internal and external service providers.

This assessment instrument covers main governance categories of:

- Board composition
- Remuneration
- Corporate governance office bearers
- Board role and duties
- Accountability
- Board committees
- Performance assessment.

Please view the full report on compliance to each of the King III principles online. 

AAA	Highest application	AA	High application	BB	Notable application	B	Moderate application	C	Application to be improved	L	Low application
Hyprop Investments Limited – 1987/005284/06								IoDSA FAI score	Applied/partially Applied/not applied		
+ Chapter 1: Ethical leadership and corporate citizenship								AAA	Applied		
+ Chapter 2: Boards and directors								AAA	Applied		
+ Chapter 3: Audit committees								AAA	Applied		
+ Chapter 4: The governance of risk								AAA	Partially not applied		
+ Chapter 5: The governance of information technology								AAA	Applied		
+ Chapter 6: Compliance with laws, rules, codes and standards								AAA	Applied		
+ Chapter 7: Internal audit								AAA	Applied		
+ Chapter 8: Governing stakeholder relationships								AAA	Applied		
+ Chapter 9: Integrated reporting and disclosure								AA	Applied		
Overall score								AAA	Powered by IoDSA GAI		

Ethical leadership and corporate citizenship

Hyprop's board and management team understand that ethical conduct and good corporate citizenship underpin the King III code, where leadership is expected to direct business strategy and operations to ensure long-term sustainability. In line with its charter, the board is the guardian of the group's values and ethics. This is achieved by effectively managing corporate ethics and aligning business strategy to corporate values, while considering our impact on the economy, society, stakeholders and the environment.

The board leads by example and embodies the values set out in our code of conduct and ethics, published online. 
The social and ethics committee of the board monitors compliance

with Hyprop's code of conduct and ethics and other relevant social, ethical and legal requirements, as well as best practice. It reports to shareholders on matters in its mandate at the annual general meeting and via this integrated report.

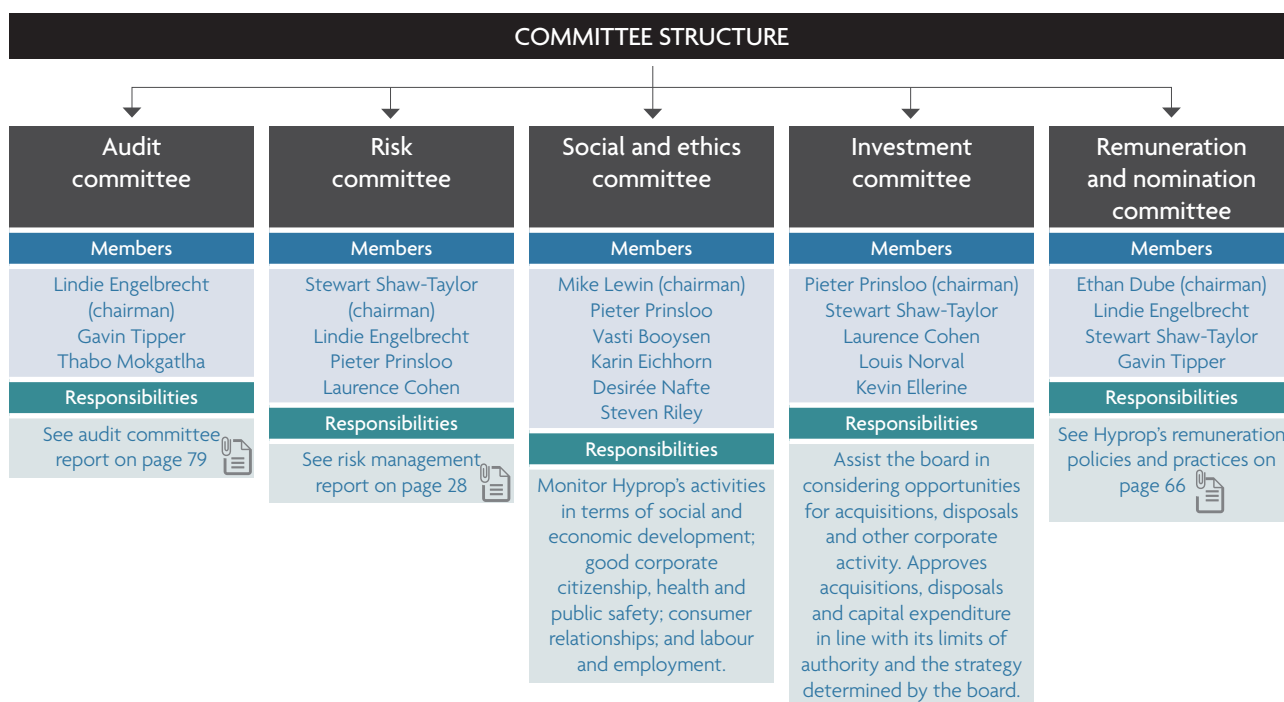
Ethical behaviour is monitored through the Hyprop whistleblower's line (0800 555 317), an independent hotline operated by an external provider that provides regular call analysis to enable Hyprop to investigate all allegations promptly. Formal reports on matters that may impact financial performance are submitted to the audit committee. One report was received during the period, which was appropriately addressed.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE

2015 governance highlights

- Participated in IoDSA's governance assessment for the second time – achieved overall AAA score, indicating the highest application of the principles and recommendations of King III
- Audit committee comprises only independent non-executive board members
- Majority of the board is independent.



The chairmen of key committees – audit, remuneration and nomination, and social and ethics – are all independent non-executive directors.

View charters of each committee online. 

Composition of the board

Hyprop's board comprises 11 directors: six independent non-executives, three non-executives, and two executive directors.

The diverse experience in commerce and industry of our non-executive directors enables them to make informed and independent decisions. Strategy is evaluated and approved, group performance scrutinised and executive management monitored against key performance indicators. Their guidance and outlook on the group's financial, audit, corporate governance and risk management systems and controls are especially valuable. Transformation, succession planning and the remuneration process (at senior level) is reviewed to ensure sustainable leadership. Non-executive directors are not involved in the daily operations of the company.

Hyprop has processes in place to ensure all directors have no conflicts of interest in fulfilling their duties, or in the event that conflicts do exist, they are properly declared and dealt with in accordance with relevant regulatory requirements. Constructive debate at meetings contributes to informed decisions.

The chairman, Gavin Tipper, is an independent non-executive director. His role is clearly defined and separated from that of the chief executive officer, Pieter Prinsloo. Similarly, the responsibilities of chief executive officer and financial director are strictly separated from those of non-executive directors to ensure that no single director can make unilateral decisions. The chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring directors' attention, while obtaining input from other directors. The chief executive officer and financial director are responsible for implementing strategy and operational decisions.

Board changes

There were no changes to the board or to its committees during the period under review, save for the appointment of Mike Lewin, an independent non-executive director, as chairman of the social and ethics committee.

Board appointment process

With support from the remuneration and nomination committee, the board is responsible for new appointments, and following a formal and transparent process to identify and select candidates. The board and committee consider the mix of skills and experience required to drive Hyprop's operational progress and sustainable transformation, as well as other relevant factors, including diversity and regulatory compliance. Induction for new directors includes a briefing by the chairman, chief executive officer, financial director and sponsor, Java Capital. They are also introduced to key senior management at company and shopping centre levels, with site visits to shopping centres.

In terms of the memorandum of incorporation, the appointment of new directors is confirmed by shareholders at the subsequent annual general meeting.

Rotation of directors

Hyprop's Memorandum of Incorporation stipulates that one-third of directors retire by rotation after a three-year term. If eligible, these directors will offer themselves for re-election.

Directors standing for re-election by rotation at the upcoming annual general meeting are Louis van der Watt, Louis Norval and Thabo Mokgatla.

Succession planning

The remuneration and nomination committee is responsible for ensuring adequate succession planning for directors and management, and that all committees are appropriately constituted and chaired. The board is satisfied that the depth of skills contributed by current directors meets its succession requirements.

Director development

Directors have access to experts and other parties required to carry out their duties. In addition, they are encouraged to continue their professional development in their personal capacity.

Company secretary

CIS Company Secretaries Proprietary Limited is an independent practice providing services to numerous JSE-listed companies. The board is satisfied that the company secretary and its representative, Neville Toerien, have maintained an arm's-length relationship with the board and are sufficiently qualified and skilled to act in accordance with, and update directors on, the recommendations of King III and other relevant regulations and legislation.

The board reviews the relationship between the company secretary and the board members on an annual basis. The board has determined that the company secretary is independent from management and does not take on any management or executive duties on behalf of the board of directors or on behalf of any subsidiary companies. The company secretary is not a director of the company or a material shareholder of the company or any of the company's subsidiaries and has not entered into any major contractual relationships with the company or any director. Accordingly, the board is satisfied that the company secretary maintained an arm's-length relationship with the board of directors.

The functions of the company secretary includes to:

- Guiding directors, collectively and individually, on their duties, responsibilities and powers
- Providing information on legislation, regulations and matters of ethics and good corporate governance relevant to the company
- Recording the minutes of meetings, including attendance registers, resolutions, directors' declarations of personal and financial interests and all notices and circulars issued by the company
- Preparing the notice of the annual general meeting
- Assuming responsibility for filing annual and other returns in terms of the Companies Act.

The company secretary updates the board on developments relating to ethics, corporate governance, legislation and regulation. The board then reviews any changes and appropriate measures are implemented to comply with best practice and support sustainable performance.

Performance self-assessment

The board is satisfied that all independent non-executive directors meet the criteria of King III.

Access to information

Directors have unrestricted access to the advice and services of the company secretary and to company records, information, documents and property. 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 professional advice on any matters concerning the affairs of the company.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE

Access to the board

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

Dealing in securities

The board complies with the JSE Listings Requirements that restrict trading in Hyprop's shares by directors, company secretary and employees in defined closed periods. In conjunction with the financial director and sponsor, the board ensures the required disclosure of trades in Hyprop shares is published on SENS. Directors and senior employees with access to the company's financial results and other price-sensitive information are barred from dealing in Hyprop shares for specified periods before relevant announcements. A notification to all directors and affected staff alerts them that the company is entering a closed period.

Hyprop uses dividend per share as the relevant measure of financial results for the purpose of reporting on trading statements, if any.

Conflicts of interest

As per the code of ethics and conduct, directors must declare to the chairman and company secretary their shareholdings, additional directorships and any potential conflicts of interest.

Board committees

Please see the outline of board committees on page 62.

The board is satisfied that all committees have fulfilled their responsibilities during the year as per their approved charters. Each committee's performance is reviewed annually.

The need for additional committees is evaluated regularly. Hyprop's remuneration and nomination committees are combined. Discussions on agenda items for nomination committee matters are chaired by the board chairman.

There is full disclosure from committees to the board, including verbal reports on recent activities by committee chairmen to the board. Minutes of committee meetings are made available to all board members. In addition, the board chairman and chairmen of each committee attend Hyprop's annual general meeting to answer questions from stakeholders.

Board and committee meetings

The board meets at least four times a year, with ad hoc meetings when necessary. Relevant notice and information is supplied in advance, ensuring directors can make well-researched and reasoned decisions.

The investment committee meets on an ad hoc basis as necessary.

Attendance at board and committee meetings for the review period (1 July 2014 to 30 June 2015) is reflected below.

	Board	Audit	Risk	Remuneration and nomination	Social and ethics
Independent non-executive directors					
GR Tipper (chairman of the board)	4/4	5/5	2/2 ^(e)	2/2	2/2 ^(e)
EG Dube ^(c)	4/4			2/2	
L Engelbrecht ^(a)	4/4	5/5	2/2	2/2	
TV Mokgatlha	4/4	5/5			
MJ Lewin ^(d)	4/4				2/2
LLS van der Watt	2/4				
Non-executive directors					
KM Ellerin	4/4				
L Norval	4/4				
S Shaw-Taylor ^(b)	4/4		2/2	2/2	
Executive directors					
PG Prinsloo (CEO)	4/4	5/5 ^(e)	2/2	2/2 ^(e)	2/2
LR Cohen (FD)	4/4	5/5 ^(e)	2/2	2/2 ^(e)	2/2 ^(e)
Executives and management					
M de Klerk			2/2 ^(e)		
K Eichhorn			2/2 ^(e)	2/2 ^(e)	2/2 ^(e)
D Nafte			1/2 ^(e)		2/2 ^(e)
S Riley			2/2 ^(e)		2/2 ^(e)
B Frylinck ^(e)			1/2 ^(e)		
V Watson			1/2 ^(e)		1/2 ^(e)
T Rasiluma	1/4 ^(e)	2/5 ^(e)	2/2 ^(e)		2/2 ^(e)
V Booysen		2/5 ^(e)	2/2 ^(e)		2/2
M Hattingh		4/5 ^(e)	1/2 ^(e)		

^(a) Chairman audit committee

^(b) Chairman risk committee

^(c) Chairman remuneration and nomination committee

^(d) Chairman social and ethics committee

^(e) By invitation

Compliance with laws, rules, codes and standards

The national legal executive and executive management ensure Hyprop complies with all current regulations and legislation, liaising closely with the company's sponsor. If there are areas of non-compliance, these areas will be formally tabled through the risk management process under the supervision of the risk committee.

There were no material compliance issues during the year. The Hyprop board meets ad hoc to monitor progress against the property sector charter, with particular focus on transformation.

Legislations/regulations with which the company is required to comply include:

- Property sector charter
- Basic Conditions of Employment Act 75 of 1997
- Companies Act 71 of 2008
- Compensation for Occupational Injuries and Disease Act 130 of 1993
- Competition Act 89 of 1998
- Employment Equity Act 55 of 1998
- Labour Relations Act 66 of 1995
- Occupational Health and Safety Act 85 of 1993
- Value Added Tax Act 89 of 1991
- Financial Intelligence Centre Act 38 of 2001
- Consumer Protection Act 68 of 2008
- Financial Markets Act 19 of 2012
- Income Tax Act 58 of 1962
- Promotion of Access to Information Act 2 of 2000
- Protection of Personal Information Act 4 of 2013
- Protected Disclosures Act 2000
- Securities Services Act 36 of 2004

As Hyprop is a listed Real Estate Investment Trust (REIT), it is required to comply with the JSE Listings Requirements and rules that are specific to REITs in South Africa.

Anti-competitive behaviour

Hyprop has not been party to any legal actions for anticompetitive behaviour or monopoly practices during the period.

Policy documents available online



- Board charter
- Audit committee charter
- Investment committee charter
- Remuneration and nomination committee charter
- Risk committee charter
- Social and ethics committee charter
- Code of conduct and company policy
- Employment equity policy and plan
- Memorandum of incorporation

REMUNERATION REPORT

CORPORATE GOVERNANCE

Philosophy

Hyprop is an internally managed REIT, making employee skills essential to our sustainability. Our remuneration philosophy therefore supports our strategic objectives and encourages individual performance. It emphasises the contribution of our employees to building long-term value through fair and balanced remuneration.

The policy is based on several key principles:

- Hyprop's success depends on attracting talented, experienced and motivated individuals who can execute our business strategy to achieve our vision and mission. We use both short and long-term incentives to support this goal
- Target-based short-term incentives (STIs) are strong drivers of performance. A significant portion of senior management reward is therefore variable, based on realistic performance targets, and individual contributions to the growth of their division and the wider company. We also reward employees who deliver superior performance in line with our strategic goals. Special bonuses may be considered as additional awards in exceptional circumstances
- Long-term incentives (LTIs) are aligned to Hyprop's strategic objectives and the investment interests of shareholders.

Policy

The remuneration and nomination committee is responsible for implementing the remuneration policy to ensure:

- Salary structures and policies motivate superior performance, and are linked to realistic performance objectives that support sustainable growth
- Stakeholders are able to make informed assessments of reward practices and governance processes
- Compliance with all applicable laws and regulatory codes.

Non-executive directors

Our policy is to remunerate non-executive directors competitively for their service while understanding the required time commitment. Fees are benchmarked against a peer group of JSE-listed companies, and there are no contractual arrangements to compensate for loss of office.

The remuneration and nomination committee reviews these fees annually and makes its recommendations to the board which, in turn, proposes fees for approval by shareholders at the annual general meeting.

Non-executive directors do not receive STIs nor do they participate in any LTI schemes except if they previously held executive office and are entitled to unvested benefits from this period. Hyprop pays no pension contributions for non-executive directors.

Executive directors and senior executive remuneration

Our executive directors are permanent employees and their employment agreements include a notice period, but no restraints of trade. Hyprop aims to be an employer of choice: to attract and retain individuals of high calibre, we offer competitive remuneration packages and review these annually.

Our remuneration structure includes:

- **Base salary**
All basic salaries are market-related, benchmarked against industry norms and adjusted for an employee's experience, qualifications, responsibilities and nature of work. These are reviewed annually.
- **STIs**
An annual performance bonus aligns short-term rewards with annual performance and supports retention. Performance reviews are weighted significantly to output. The executive committee sets key performance deliverables (KPDs) annually at property and company levels. These are formally measured and include:
 - Net income growth
 - Performance against budget
 - Increase in trading densities
 - New/renewed leasing rental values achieved relative to budget
 - New/renewed leasing escalations achieved
 - Tenant arrear collections and management
 - Tenant deposit and bank guarantee management
 - Documentation administration.

Exceptional performance is rewarded with higher incentives, after considering recommendations from general managers, regional executives and executive directors.

The maximum bonus for senior management is six months' salary, at the committee's discretion. Bonuses for executive directors are aligned with strategic objectives and are at the committee's discretion.

- **LTIs**
These reward long-term decisions supporting dividend and capital growth. They are also designed to align employee behaviour with shareholders' interests and to ensure long-term retention of staff. The LTI comprises a performance and a retention component. The split between performance shares and retention shares is 70% : 30% for all participants.

Performance conditions relating to the performance component of the LTI is shown below:

Performance condition	Detail	Weighting	Threshold	On target	Stretch
Growth in distribution/ dividend per share relative to peer group*	Simple growth in distribution per share at the end of the performance period compared to the prior financial year.	40%	95%	102,5%	110%
Share price performance relative to peer group*	Growth in the share price from the start to the end of the performance period.	40%	95%	105%	120%
Strategic component	Determined by the remuneration committee in line with circumstances and projects at the time of the award. It is measured over the performance period of three years, and may include project-related or general business activity. Where considered appropriate, the committee has the discretion not to apply the strategic component, in which case this 20% weighting will be split equally between the other two performance conditions. Achieving each of the performance conditions and consequent vesting of performance units occurs severally.	20%			

* The peer group comprises the five largest South African REITs by market capitalisation listed on the JSE

The first awards were offered to executives, senior managers, operational and financial managers and staff with specific core, critical or strategic skills in 2014. Some 13% (27 employees) of the total staff complement will participate in the scheme, which is limited to 2% of the current shares in issue with an initial vesting period of three years from January 2014.

Participants do not pay for the shares. They are also not eligible for dividends until the end of the initial vesting period.

Retention scheme terms

Retention shares vest five years after initial allocation, subject to continued employment for the duration of the vesting period.

Terms of service

Minimum terms and conditions for employing executive directors are governed by South African legislation. If an executive director's services are terminated, the committee oversees the settlement of terms, assisted by labour law advisers.

Remuneration of non-executive and executive directors

For breakdown of remuneration of non-executive and executive directors please see note 24 on page 128.





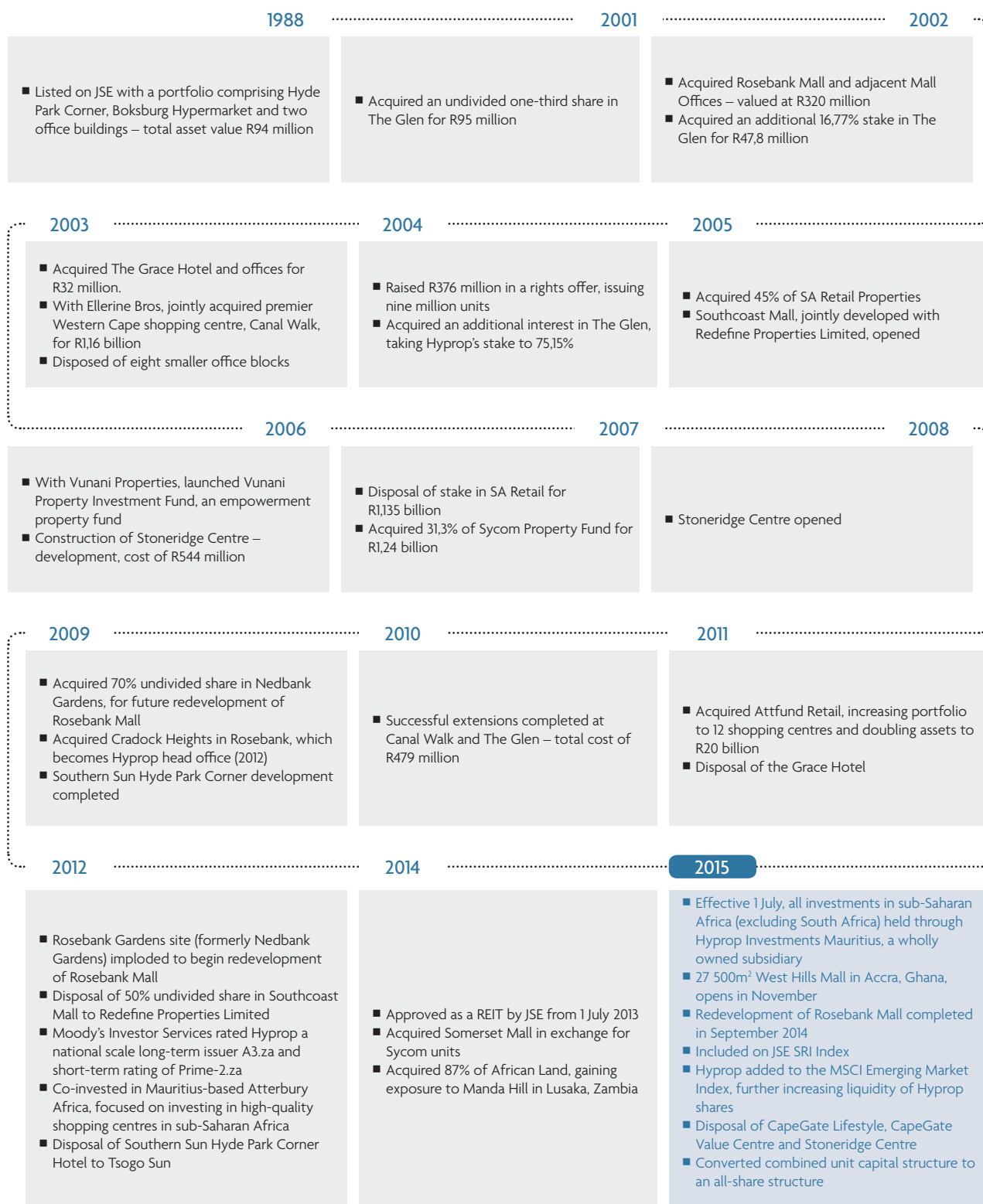
Canal Walk, Cape Town



ANNEXURES

HISTORY

ANNEXURES



STAKEHOLDER ENGAGEMENT

ANNEXURES

We continually engage with our stakeholders: employees, investors, financiers, local communities, tenants and suppliers to determine their issues and communication needs. We then respond appropriately.

Stakeholder engagement, issues and concerns

Key stakeholders in our group are shown below. For a fuller understanding, we have included ongoing material issues.

Stakeholder strategy

- Consider best-practice principles when reviewing solutions
- Explore how innovation and technology can support competitiveness
- Ensure the safety and security of shoppers/tenants/employees within the scope of shopping centre management and their respective service providers
- Engage with stakeholders to enhance the risk management process
- Engage with local communities to enhance corporate social investment
- Enhance the execution of corporate social investment
- BBBEE/employment equity: to achieve steady improvement
- Ensure a succession plan for senior management is in place
- Undertake social due diligence/impact assessments to determine potential social impact

STAKEHOLDER ANALYSIS

INTERNAL

- Tenants:** Ongoing material issues:
- Tenant mix improvement,
 - initiatives to enhance the shopping experience and attract shoppers,
 - changes in consumer spending,
 - increased competition,
 - rental escalation,
 - rising operating and municipal costs,
 - tenant location in mall,
 - mall cleanliness,
 - mall security,
 - mall maintenance,
 - tenant/landlord communication, and
 - supply of electricity.
- Employees:** Ongoing material issues:
- Career development and training,
 - equity participation, and
 - BBBEE.
- Shoppers:** Ongoing material issues:
- Access to shopping centre,
 - mall cleanliness,
 - mall maintenance,
 - the role of security, and
 - retail and entertainment offering.

EXTERNAL

- Investors and financiers:** Ongoing material issues:
- GDP,
 - economic growth,
 - consumer spend with tenants,
 - interest rates on cost of funding,
 - competition from new developments close to our shopping centres,
 - exposure to the rest of sub-Saharan Africa, and
 - changes in exchange rates.
- Investors:** Ongoing material issues:
- Distribution growth,
 - strategy execution,
 - portfolio growth,
 - capital appreciation,
 - accessibility of leadership,
 - timely information on key developments,
 - exposure to sub-Saharan Africa,
 - succession, and
 - corporate governance.
- Financiers:** Ongoing material issues:
- Solvency and liquidity,
 - timeous servicing of debt (DCM),
 - portfolio value, and
 - credit rating.

OPERATIONAL

- Suppliers:** Ongoing material issues:
- Timely payment,
 - fair business practices, and
 - lack of skills affecting their ability to deliver service.
- Government, regulators:** Ongoing material issues:
- Employment equity,
 - environmental impact,
 - taxation,
 - compliance,
 - adherence to JSE Listings Requirements, and
 - company legislation.
- Local communities:** Ongoing material issues:
- Socio-economic development,
 - environmental impact, and
 - responsible corporate citizenship.
- Industry associations:** Ongoing material issues:
- Introduction of new legislation,
 - global and local industry trends, and
 - sector-specific issues.

KING III APPLICATION

ANNEXURES

Principle	Board requirement	Comment	Applied/ partially applied/ not applied
Chapter 2: Boards and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.	In line with its charter, the board acts as the focal point for and custodian of corporate governance by conducting its relationship with management, shareholders and other stakeholders along sound corporate governance principles. No one director has unfettered powers of decision making.	Applied
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board, in line with its charter, is responsible for aligning the strategic objectives, vision and mission with risk and performance. The group's formal risk management process considers the full range of risks including strategic and operational risk, encompassing performance and sustainability. A social and ethics committee is responsible for sustainability issues.	Applied
2.3	The board should provide effective leadership based on an ethical foundation.	In line with its charter, the board is the guardian of the values and ethics of the group and provides effective leadership on an ethical foundation. The group's code of ethics sets out its commitment to the highest level of ethical conduct, fair dealing and integrity in business practice as an operational imperative.	Applied
2.4	The board should ensure the company is and is seen to be a responsible corporate citizen.	See 2.3.	
2.5	The board should ensure the company's ethics are managed effectively.	The board ensures Hyprop's ethics are managed effectively. The social and ethics committee assists the board in overseeing social and ethical matters for the group. Hyprop's code of ethics, to which all members of the board, management and employees are required to adhere, promotes ethical business practices. Employees and the public can report any acts of fraud and unethical behaviour on a confidential fraud hotline.	Applied
2.6	The board should ensure the company has an effective and independent audit committee.	The audit committee comprises three independent non-executive directors in line with King III. Members are elected by shareholders at the annual general meeting.	Applied
2.7	The board should be responsible for the governance of risk.	<p>The risk committee is responsible for overseeing the group's risk management programme. It reports to the board which retains ultimate responsibility for the control and management of risk. The risk committee is responsible for reviewing and assessing the company's risk control systems and ensures that risk policies and strategies are effectively managed. Specifically the role of the committee is to assist the board in ensuring that:</p> <ul style="list-style-type: none"> ■ The company has implemented an effective policy and plan for risk management that will enhance its ability to achieve its strategic objectives ■ Disclosure on risk is comprehensive, timely and relevant. 	Applied

Principle	Board requirement	Comment	Applied/ partially applied/ not applied
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Chapter 2: Boards and directors

2.8	The board should be responsible for IT governance.	The board, through the risk committee, is responsible for effectively managing relevant IT risks.	Applied
2.9	The board should ensure that Hyprop complies with applicable laws and considers adhering to non-binding rules, codes and standards.	In line with its charter, the board ensures Hyprop complies with applicable laws and considers adherence to non-binding rules and standards, assisted by the risk committee.	Applied
2.10	The board should ensure there is an effective risk-based internal audit.	The outsourced internal audit service provider offers an independent, risk-based internal audit function. The internal auditor reports directly to the audit committee and is invited to attend all audit committee meetings.	Applied
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	The board recognises that engaging with appropriate individuals or groups enhances our operations and enables us to manage risk and reputation. Investor relations and stakeholder engagement are key focus areas for the board.	Applied
2.12	The board should ensure the integrity of the company's integrated report.	The audit committee oversees integrated reporting and is responsible for recommending the board to approve this report.	Applied
2.13	The board should report on the effectiveness of the company's system of internal controls.	The audit committee oversees internal audit, including the appointment of this function, monitoring its performance and approving the internal audit plan. It ensures the internal audit function is subject to an independent quality review, as the committee deems appropriate. Internal audit is outsourced and independent. It assists management in assessing whether systems of internal control are adequate and effective. Internal audit prepares a plan aligned to Hyprop's key risks.	Applied
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as trustee on behalf of shareholders. In terms of its charter, it acts in the best interests of the group by ensuring individual directors adhere to legal standards of conduct; are permitted to take independent advice in connection with their duties following an agreed procedure; disclose real or perceived conflicts to the board and deal with them accordingly; and deal in securities only in line with the policy adopted by the board.	Applied
2.15	The board should consider business rescue proceeding or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	The board is responsible for initiating business rescue proceedings if warranted. The audit committee reviews the going-concern principle, as well as the solvency and liquidity principle, as set out in the Companies Act.	Applied

KING III APPLICATION continued

ANNEXURES

Principle	Board requirement	Comment	Applied/ partially applied/ not applied
Chapter 2: Boards and directors			
2.16	The board should elect a chairman who is an independent non-executive director. The chief executive officer (CEO) should not also fulfil the role of chairman of the board.	The chairman of Hyprop is an independent non-executive director. His role is to provide strategic guidance as well as encourage and allow adequate debate at board level. The company's Mol provides for one-third of directors to retire by rotation after a three-year term of office.	Applied
2.17	The board should appoint the CEO and establish a framework for delegation of authority.	The board appointed Pieter Prinsloo as CEO and has approved a framework for delegation of authority. The CEO is responsible for strategy execution and the oversight of day-to-day operations.	Applied
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The majority (nine) of directors are non-executive, with six categorised as independent.	Applied
2.19	Directors should be appointed through a formal process.	There is a formal and transparent process for appointment of directors. The remuneration and nomination committee assists with the process of identifying suitable candidates to be proposed to shareholders.	Applied
2.20	The induction, and ongoing training and development, of directors should be conducted through formal processes.	There is a formal induction programme for new directors. Inexperienced directors are developed through mentorship programmes. Continuing professional development programmes are implemented to ensure directors receive regular briefings on changes in risks, laws and the environment.	Applied
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	CIS Company Secretaries Proprietary Limited, an independent company secretarial practice, was appointed in compliance with the Companies Act, JSE Listings Requirements and recommendations of King III. The board deems its representative, Neville Toerien, to be suitably qualified. The company secretary operates on an arm's-length basis from the board and is not a member of the board.	Applied
2.22	The evaluation of the board, its committees and individual directors should be performed every year.	The board was evaluated in July 2014.	Applied

Principle	Board requirement	Comment	Applied/ partially applied/ not applied
Chapter 2: Boards and directors			
2.23	The board should delegate certain functions to well-structured committees, but without abdicating its responsibilities.	<p>Without abdicating its own responsibilities, the board delegates certain functions to specific committees:</p> <ul style="list-style-type: none"> ■ Audit committee ■ Risk committee ■ Investment committee ■ Remuneration and nomination committee ■ Social and ethics committee <p>Each committee has a formal charter approved by the board and reviewed regularly.</p>	Applied
2.24	A governance framework should be agreed between the group and its subsidiary boards.	All policies and procedures are followed by subsidiary boards.	Applied
2.25	Companies should remunerate directors and executives fairly and responsibly.	The board is responsible for ensuring Hyprop has an appropriate remuneration strategy. The remuneration and nomination committee has an independent role, making recommendations to the board for its consideration and final approval to ensure the group remunerates directors (including fees for non-executive directors) and executives fairly and responsibly; and that disclosure of directors' remuneration is accurate, complete and transparent. Remuneration is set out in the remuneration report. Fees for board and committee members are approved annually at the annual general meeting.	Applied
2.26	Companies should disclose the remuneration of each individual director and prescribed officers.	The remuneration of directors and prescribed officers is disclosed and applied in note 24 of the financial statements.	Applied
2.27	Shareholders should approve the company's remuneration policy.	Details of the remuneration policy are on page 66. The remuneration policy is submitted to shareholders to consider and endorse by way of a non-binding advisory vote at the annual general meeting.	Applied

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APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

FINANCIAL STATEMENTS

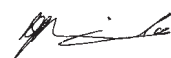
The financial statements in the integrated report are the responsibility of the directors. They are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining a system of internal control that, amongst other objectives, will ensure the preparation of the financial statements achieves fair presentation. The financial statements set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies that have been consistently applied and are supported by reasonable and prudent judgements and estimates.

The financial statements have been prepared on the going-concern basis as the directors have every reason to believe the company has adequate resources to continue operations for the foreseeable future.

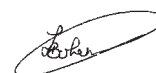
The external auditors are responsible for independently auditing and reporting on the financial statements in conformity with International Standards on Auditing. Their report is set out on page 78.

Preparation of the financial statements was supervised by Laurence Cohen (CA)SA in his capacity as financial director.

The financial statements were approved by the board and signed on its behalf by:



Pieter Prinsloo
Chief executive officer



Laurence Cohen
Financial director

Johannesburg
31 August 2015

DECLARATION OF COMPANY SECRETARY

for the year ended 30 June 2015

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 South African Companies Act 71 of 2008, as amended, and that all such returns are true, correct and up to date.



CIS Company Secretaries Proprietary Limited
Company secretary

Johannesburg
31 August 2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HYPROP INVESTMENTS LIMITED

for the year ended 30 June 2015

FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Hyprop Investments Limited set out on pages 82 to 151, which comprise the statements of financial position as at 30 June 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 2015, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the directors' report, audit committee's report and company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton
Chartered Accountants (SA)
Registered Auditors

VR de Villiers
Partner
Chartered Accountant (SA)
Registered Auditor

31 August 2015

@GrantThornton
Wanderers Office Park
52 Corlett Drive
Illovo
2196

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2015

FINANCIAL STATEMENTS

The audit committee has pleasure in submitting its report, as required by section 94(7)(f) of the Companies Act, for the period under review.

The committee is governed by a formal charter that codifies its role and responsibilities, including the responsibility for reviewing accounting, auditing and financial reporting matters. The committee reviews adherence to Hyprop's systems of internal controls and, where necessary, monitors improvements.

Members

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

Functions

During the period, the audit committee:

- Considered any proposed changes to accounting policies
- Advised the board on any accounting implications of major transactions
- Reviewed the scope of work and reports of the internal audit function
- Recommended the appointment of external auditors for approval by shareholders
- Established guidelines for recommending the use of external auditors for non-audit services, to maintain independence
- Monitored compliance with REIT requirements, in accordance with the JSE Listings Requirements and confirmed that the risk management policy has been complied with in all material respects.

The audit committee is satisfied:

- With the independence of the external auditor, Grant Thornton, after considering the report to the audit committee motivating its independence and has recommended its reappointment at the forthcoming annual general meeting
- With the terms, nature, scope and proposed fee of the external auditor for the year ended 30 June 2015
- With the financial statements and accounting practices used in their preparation and will recommend the integrated report, including the financial statements, to the board for approval
- With the company's continuing viability as a going concern, which it has reported on to the board for the board's deliberation
- That the company's financial director, Laurence Cohen, had the necessary expertise and experience to carry out his duties, as required by paragraph 3.84(h) of the JSE Listings Requirements

All 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 company's financial statements, were considered by the audit committee and dealt with as appropriate.



Lindie Engelbrecht
Audit committee chairman

31 August 2015

DIRECTORS' REPORT

for the year ended 30 June 2015

FINANCIAL STATEMENTS

The directors have pleasure in submitting their report, which forms part of the financial statements for the year ended 30 June 2015.

Introduction

Hyprop, Africa's leading specialist shopping centre Real Estate Investment Trust (REIT), operates an internally managed portfolio of shopping centres in major metropolitan areas across South Africa. Hyprop also has a growing presence in sub-Saharan Africa (excluding SA), through a joint venture with Attacq Limited (Attacq) and the Atterbury Group.

The core portfolio consists of premier shopping centres in South Africa, including super regional Canal Walk, large regional centres, Clearwater Mall, The Glen Shopping Centre, Woodlands Boulevard, CapeGate Shopping Centre, Somerset Mall and Rosebank Mall, and regional centre, Hyde Park Corner.

The portfolio also includes interests in Accra Mall and West Hills Mall (both in Accra, Ghana), and Manda Hill Centre in Lusaka, Zambia.

Strategy

Hyprop's focus remains to invest in high-quality shopping centres. Due to limited acquisition opportunities in South Africa, consideration will be given to investments in other emerging markets, where existing assets can be acquired at attractive yields or where development opportunities exist.

Disposals

As previously announced, CapeGate Lifestyle, CapeGate Value Centre and Stoneridge were sold for a total amount of R833 million.

Efforts to sell Willowbridge Centre, Somerset Value Mart and the standalone office portfolio are continuing.

Capital structure

Hyprop became a REIT on 1 July 2013. As part of the REIT conversion process, Hyprop's combined unit structure was converted to an all-share structure. The necessary resolutions were passed by shareholders and the new all-share structure became effective on 18 August 2014, from which date all future distributions were classified as dividends.

All rental income earned by the group, less property expenses and interest on debt, is distributed to shareholders semi-annually.

Review of activities

The results of the group and the company are commented on in the chairman, chief executive officer and financial director's reports on pages 6 to 15 and are set out in the financial statements on pages 82 to 151.

Directors' interests

The interests of directors in the shares of the company at 30 June 2015 were:

	30 June 2015 beneficial		30 June 2015 non-beneficial	30 June 2014 beneficial		30 June 2014 non-beneficial
	Direct	Indirect	Indirect	Direct	Indirect	Indirect
Non-executive						
Gavin Tipper	4 000			4 000		
Louis Norval			3 789 869			3 981 768
Stewart Shaw-Taylor	21 500			21 500		
Kevin Ellerine		42 666				
Executive						
Pieter Prinsloo		305 049			305 049	
Laurence Cohen		160 154			160 154	
	25 500	507 869	3 789 869	25 500	465 203	3 981 768

There were no changes to the interests of the directors between year-end and the date of approval of the financial statements.

Directorate

Directors resigning by rotation at the upcoming annual general meeting are Louis van der Watt, Louis Norval and Thabo Mokgatlha, and being eligible, they offer themselves for re-election.

An abridged curriculum vitae for each director is set out on pages 22 and 23.

Beneficial shareholders holding 5% or more

	30 June 2015	%
Company		
Government Employees Pension Fund	33 808 325	13,9
Stanlib	13 005 869	5,4

Subsidiaries, joint arrangements and associates

Disclosure of the company's investments in subsidiaries, joint arrangements and associate is included in notes 4 to 7 in the financial statements.

Administration and management

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

Audit committee report

The audit committee fulfilled its responsibilities during the year (refer to its report on page 79 for details). The committee has further satisfied itself as to the independence of the external auditors and their suitability for reappointment for the ensuing year.

Auditors

Grant Thornton will continue in office in accordance with part C of section 90 of the Companies Act of South Africa.

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 35 to the financial statements.

Going concern

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going-concern basis in preparing the group and company financial statements.

The directors have satisfied themselves that the group and company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

Johannesburg
31 August 2015

STATEMENTS OF FINANCIAL POSITION

at 30 June 2015

FINANCIAL STATEMENTS

	Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
ASSETS					
Non-current assets		27 395 984	24 931 191	25 825 108	22 484 674
Investment property	2	24 511 778	21 795 442	24 511 778	20 176 936
Development property	2		1 849 000		1 849 000
Straight-line rental income accrual	2	413 826	353 740	413 826	353 740
Building appurtenances and tenant installations	3	77 300	82 692	77 040	56 672
Investments in subsidiaries	4			769 332	15 348
Investments in sub-Saharan Africa (excluding SA)		2 339 121	812 459		
Shareholder loans	10	2 258 125	812 459		
Investment in joint ventures	6.2	80 996			
Investment in associate	7	827	600		
Other investment	8	^		^	
Goodwill	9		4 280		
Derivative instruments	19	53 132	32 978	53 132	32 978
Current assets		224 750	228 525	208 731	211 560
Loans receivable	10	53 757	47 486	67 450	47 674
Trade and other receivables	11	87 152	103 686	78 311	102 629
Cash and cash equivalents	12	83 841	77 353	62 970	61 257
Non-current assets classified as held for sale		1 235 062	1 758 991	1 235 062	2 517 255
Investment property	13	1 235 062	1 758 991	1 235 062	1 758 991
Investment in subsidiary	13				758 264
Total assets		28 855 796	26 918 707	27 268 901	25 213 489
EQUITY AND LIABILITIES					
Equity and reserves		21 658 721	12 905 543	21 550 419	12 616 474
Stated capital	14	6 976 928	1 661	6 987 996	1 661
Retained income/(accumulated loss)		680 365	(7 619)	673 930	(7 035)
Non-distributable reserves	15	13 988 025	12 770 190	13 888 493	12 621 848
Foreign currency translation reserve	16	13 403	8 074		
Equity and reserves attributable to Hyprop shareholders (2014: unitholders)		21 658 721	12 772 306	21 550 419	12 616 474
Non-controlling interest (African Land)			133 237		
Non-current liabilities		6 012 830	10 992 517	3 801 327	9 608 726
Debentures and debenture premium	17		5 719 119		5 730 187
Borrowings	18	5 919 909	5 185 822	3 726 838	3 792 566
Derivative instruments	19	40 123	41 829	21 691	39 811
Deferred taxation	20	52 798	45 747	52 798	46 162
Current liabilities		1 162 678	2 966 892	1 895 588	2 934 534
Trade and other payables	21	377 917	367 686	359 831	335 626
Borrowings	18	772 000	2 013 031	1 533 128	2 013 031
Taxation		10 132	298		
Derivative instruments	19	2 629		2 629	
Combined unitholders for distribution			585 877		585 877
Liabilities directly associated with non-current assets held for sale	13	21 567	53 755	21 567	53 755
Total liabilities		7 197 075	14 013 164	5 718 482	12 597 015
Total equity and liabilities		28 855 796	26 918 707	27 268 901	25 213 489
Net asset value per share (2014: combined unit) (R)		89,04	76,02	88,59	75,42
Net tangible asset value per share (2014: combined unit) (R)		89,04	76,00	88,59	75,42

^ Amount less than R1 000

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Revenue		2 703 034	2 514 779	2 677 227	2 421 819
Investment property income		2 642 949	2 432 459	2 617 142	2 339 499
Straight-line rental income accrual		60 085	45 055	60 085	45 055
Listed property securities income			37 265		37 265
Property expenses		(887 918)	(837 822)	(864 955)	(809 799)
Net property income		1 815 116	1 676 957	1 812 272	1 612 020
Other operating expenses		(64 611)	(82 480)	(59 880)	(56 404)
Operating income		1 750 505	1 594 477	1 752 392	1 555 616
Net interest		(351 647)	(394 721)	(417 178)	(401 484)
Received	22	157 344	65 645	10 328	19 678
Paid	23	(508 991)	(460 366)	(427 506)	(421 162)
Net operating income	24	1 398 858	1 199 756	1 335 214	1 154 132
Change in fair value		2 426 584	1 532 852	2 442 673	1 492 693
Investment property	2	2 467 113	1 655 897	2 467 113	1 613 720
Straight-line rental income accrual	2	(60 085)	(45 055)	(60 085)	(45 055)
Listed property securities (on disposal)			(82 266)		(82 266)
Derivative instruments	19	19 556	4 276	35 645	6 294
(Loss)/profit on disposal		(5 768)	190 760	24 243	194 729
Investment property		24 243	4 460	24 243	4 460
Listed property securities	13		168 869		168 869
Associate	13		17 431		21 400
Subsidiary	4.3	(30 011)			
Amortisation of debenture premium	17		102 806		102 806
Impairment of investment in subsidiary				(4 280)	(7 779)
Impairment of goodwill	9	(4 280)	(7 779)		
Impairment of intercompany loan					(5 682)
Gain on bargain purchase (African Land)	34		102 895		
Income before debenture interest and taxation		3 815 394	3 121 290	3 797 850	2 930 899
Debenture interest			(1 147 443)		(1 147 798)
Net income before equity-accounted investments		3 815 394	1 973 847	3 797 850	1 783 101
Share of loss from joint ventures	6	(17 447)			
Share of income from associate	7	652	462		
Dividends received	4.2			44 872	36 943
Profit before taxation		3 798 599	1 974 309	3 842 722	1 820 044
Taxation	27	(19 023)	(17 719)	(6 637)	(15 959)
Current taxation		(12 386)	(1 982)		(62)
Deferred taxation		(6 637)	(15 737)	(6 637)	(15 897)
Profit for the year		3 779 576	1 956 590	3 836 085	1 804 085
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	16	5 329	8 894		
Total comprehensive income for the year		3 784 905	1 965 484	3 836 085	1 804 085
Total profit for the year attributable to:					
Shareholders (2014: unitholders) of the company		3 779 576	1 948 487	3 836 085	1 804 085
Non-controlling interest			8 103		
Profit for the year		3 779 576	1 956 590	3 836 085	1 804 085
Total comprehensive income for the year attributable to:					
Shareholders (2014: unitholders) of the company		3 784 905	1 956 248	3 836 085	1 804 085
Non-controlling interest			9 236		
Total comprehensive income for the year		3 784 905	1 965 484	3 836 085	1 804 085
Basic and diluted earnings per share (2014: combined unit) (cents)	29	1 553,7	1 273,0		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

FINANCIAL STATEMENTS

Group

	Stated capital R000	Non- distributable reserve (NDR) R000	Share- based payment reserve (SBPR) R000	Foreign currency translation reserve (FCTR) R000	Retained income/ (accumulated loss) R000	Non- controlling interest R000	Total R000
Balance at 30 June 2013	1 661	10 817 808		313	(5 373)		10 814 409
Profit for the year					1 948 487	8 103	1 956 590
Non-controlling interest arising on business combination						128 540	128 540
Other comprehensive income for the year, net of taxation				8 894			8 894
Share-based payment			1 649				1 649
Dividends declared						(4 539)	(4 539)
Net transfer to non-distributable reserve		1 950 733		(1 133)	(1 950 733)	1 133	
Balance at 30 June 2014	1 661	12 768 541	1 649	8 074	(7 619)	133 237	12 905 543
Profit for the year					3 779 576		3 779 576
Capital restructure	6 986 335	(1 256 148)					5 730 187
Treasury shares	(11 068)						(11 068)
Buy-back of African Land shares from non-controlling interest		(2 709)			17 427	(132 742)	(118 024)
Other comprehensive income for the year, net of taxation				5 329			5 329
Share-based payment			6 707				6 707
Dividends declared					(639 034)	(495)	(639 529)
Net transfer to non-distributable reserve		2 469 985			(2 469 985)		
Balance at 30 June 2015	6 976 928	13 979 669	8 356	13 403	680 365		21 658 721
Note	14	15	15	16		4	

Company

	Stated capital R000	Non- distributable reserve (NDR) R000	Share- based payment reserve (SBPR) R000	Foreign currency translation reserve (FCTR) R000	Retained income/ (accumulated loss) R000	Non- controlling interest R000	Total R000
Balance at 30 June 2013	1 661	10 814 274			(5 195)		10 810 740
Profit for the year					1 804 085		1 804 085
Share-based payment			1 649				1 649
Net transfer to non-distributable reserve		1 805 925			(1 805 925)		
Balance at 30 June 2014	1 661	12 620 199	1 649		(7 035)		12 616 474
Profit for the year					3 836 085		3 836 085
Capital restructure	6 986 335	(1 256 148)					5 730 187
Share-based payment			6 707				6 707
Dividends declared					(639 034)		(639 034)
Net transfer to non-distributable reserve		2 516 086			(2 516 086)		
Balance at 30 June 2015	6 987 996	13 880 137	8 356		673 930		21 550 419
Note	14	15	15				

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

	Note	GROUP Year to June 2015 R000	GROUP Year to June 2014 R000	COMPANY Year to June 2015 R000	COMPANY Year to June 2014 R000
Cash flows from operating activities		97 774	218 169	85 847	180 848
Cash generated from operations	30.2	1 738 764	1 725 345	1 736 559	1 684 275
Interest received		105 084	65 645	10 328	19 678
Interest paid		(518 611)	(482 496)	(436 129)	(443 291)
Dividends paid		(639 034)	(3 321)	(639 034)	
Distribution to Hyprop shareholders (2014: combined unitholders)	30.3	(585 877)	(1 079 397)	(585 877)	(1 079 752)
Taxation paid	30.4	(2 552)	(7 607)		(62)
Cash applied to investing activities		667 056	(1 392 333)	447 193	(925 409)
Acquisition of and additions to investment property	2.2	(333 659)	(381 042)	(333 659)	(380 894)
Proceeds on disposal of investment property	2.2	3 783	8 789	3 783	8 789
Additions to building appurtenances and tenant installations	3	(42 718)	(13 541)	(42 505)	(20 051)
Proceeds on disposal of building appurtenances and tenant installations		883		621	
Proceeds on disposal of assets classified as held for sale	30.6	746 525	139 000	746 525	139 000
Proceeds on disposal of listed property securities			65 856		65 856
Acquisition of subsidiary	34.6		(735 757)		(747 769)
Proceeds on disposal of subsidiary	4.3	1 511 904			
Equity loan advanced to subsidiary					(11 068)
Increase in investment in sub-Saharan Africa (excluding SA)		(1 264 048)	(475 550)		
Dividends received	30.5			19 153	26 498
Increase/(decrease) in loans receivable		44 386	(88)	53 275	(5 770)
Cash flows (applied to)/from financing activities		(752 410)	1 179 506	(530 691)	738 148
(Decrease)/increase in long-term and short-term loans		(634 386)	1 190 574	(530 691)	738 148
African Land share buy-back		(118 024)			
Purchase of Hyprop shares (long-term staff incentive scheme (CUP))	17		(11 068)		
Net increase/(decrease) in cash and cash equivalents		12 420	5 342	2 349	(6 413)
Cash and cash equivalents at beginning of year		77 353	74 821	61 257	70 625
Translation effects on cash and cash equivalents of foreign entities		(5 296)	145		
Cash and cash equivalents transferred to non-current assets held for sale		(636)	(2 955)	(636)	(2 955)
Cash and cash equivalents at end of year	12	83 841	77 353	62 970	61 257

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

FINANCIAL STATEMENTS

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, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited 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 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 net asset value per share to the extent that such adjustments are made to the carrying values of assets and liabilities.

All amendments to standards applicable to Hyprop's financial year beginning on 1 July 2014 have been considered. Based on management's assessment, the following new amendments do not have a material impact on the group's financial statements:

IFRS 2 *Share-Based Payments*

IFRS 3 *Business Combinations*

IFRS 8 *Operating Segments*

IFRS 10 *Consolidated Financial Statements*

IFRS 12 *Disclosure of Interest in Other Entities*

IFRS 13 *Fair Value Measurement*

IAS 19 *Employee Benefits*

IAS 24 *Related-Party Disclosure*

IAS 27 *Consolidated and Separate Financial Statements*

IAS 36 *Impairment of Assets*

IAS 40 *Investment Property*

Other than the amendments, all accounting policies applied in the preparation of these financial statements are consistent with those applied in the consolidated financial statements for the year ended 30 June 2014.

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 1.25 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
- 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 intra-group transactions, unrealised profits and balances between group entities are eliminated on consolidation.

1.4 Business combinations

The group applies the acquisition method in 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.

1. Accounting policies and presentation of annual financial statements *continued*

1.4 Business combinations *continued*

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.7 Interests in joint operations continued

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.

1.8 Investments in associates and joint ventures

An associate is an entity over which the company can exercise significant influence, through participation in the financial and operating policy decisions of the investee, but where it does not have control or 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.

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 the carrying value 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 statements 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 to 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 impairments, 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 seven 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. Accounting policies and presentation of annual financial statements *continued*

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, after deducting the straight-line lease income adjustment, 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.12 Financial instruments continued

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.

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 an insignificant risk of changes 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 of 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 Other investments

An investment is an entity over which the company has no significant influence, through participation in the financial and operating policy decisions of the investee.

Investments are measured at cost less any impairment where the fair value cannot be measured reliably. Impairment charges are recognised in profit or loss. Any impairment losses are transferred to the 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, 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. Accounting policies and presentation of annual financial statements continued

1.12 Financial instruments continued

1.12.6 Other financial liabilities continued

Derivative instruments

The entity uses derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. Derivative instruments have been designated by the group as instruments held for trading and are accounted for at fair value through profit and 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.

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 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.

1.15 Treasury shares

Company shares held by Hyprop Investments Employee Incentive Scheme Proprietary Limited (incorporated for the benefit of employees) that have not yet vested 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.16 Dividends

Dividends to shareholders are recognised directly in equity on the date of declaration.

1.17 Foreign currency

Foreign currency transactions are translated to the respective 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

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 foreign currency translation reserve (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.

1.18 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 the 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 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.

The contributions are recognised as an employee benefit expense when they are due.

Long-term benefits

Incentive 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.

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.

1. Accounting policies and presentation of annual financial statements *continued*

1.18 Employee benefits *continued*

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity. 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.

1.19 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.

Interest received

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

1.20 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.

1.21 Taxation

1.21.1 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 taxation payable or receivable for previous years.

Current 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.

1.21.2 Deferred taxation

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
- 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 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.21 Taxation continued

1.21.1 Current taxation continued

The effect on deferred taxation of any changes in taxation rates 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.

1.21.3 Taxation expenses

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

Income taxation 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 taxation is based on the results for the period as adjusted for items which are disallowed and any taxation payable in respect of previous years. Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustments to taxation payable in respect of previous years.

1.22 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 investments in sub-Saharan Africa (excluding South Africa).

1.23 Earnings and headline earnings per share

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

1.24 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, 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 between market participants to purchase and sell the asset or transfer the liability at the measurement date under current market conditions.

1. Accounting policies and presentation of annual financial statements continued

1.24 Key estimations and uncertainties continued

Fair value of financial instruments continued

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, trade debtors and creditors.

For more information, refer to notes 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 by the parties sharing control.

In terms of the co-ownership agreements for Canal Walk, The Glen and Stoneridge (prior to its disposal), 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 impairments 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 management 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 taxation assets are raised to the extent that it is probable that future taxable profit will be available against which the unused taxation 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 scheme liability

The liability is calculated based on the year-end market value of the Hyprop share (2014: combined unit). The actual payment is based on a 30-day volume weighted average price to 30 March.

Equity-settled share-based employee remuneration

Judgement is required in the determination of the fair value on grant date of equity-settled share-based employee remuneration. Management utilises the Black Scholes model in determining the fair value at grant date.

Amortisation of debenture premium

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

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, refer to note 34.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.25 New standards and interpretations continued

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 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 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 provide guidance on the accounting treatment when an entity reclassifies an asset or disposal group from being held for sale to being held for distribution and provides guidance on when to cease held-for-distribution accounting.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 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 7 Financial Instruments: Disclosures

The amendments to IFRS 7 provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying certain disclosure requirements in this standard. The amendments also clarify that the additional disclosure required by recent amendments to IFRS 7 is not specifically required for all interim periods.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 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

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities. The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. The most significant effect regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability, designated as at fair value through profit or loss, attributable to changes in the credit risk of that liability.

The requirements in IAS 39 related to the derecognition of financial assets and financial liabilities have been incorporated into the new version of IFRS 9.

1. Accounting policies and presentation of annual financial statements *continued*

1.25 New standards and interpretations *continued*

IFRS 9 *Financial Instruments* *continued*

A new chapter has been added to IFRS 9 on hedge accounting, substantially overhauling previous accounting requirements. The new requirements look to align hedge accounting more closely with entities' risk management activities by:

- Increasing the eligibility of both hedged items and hedging instruments
- Introducing a more principles-based approach to assessing hedge effectiveness

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.

IFRS 10 *Consolidated Financial Statements*

The amendments to IFRS 10 are to address the inconsistencies between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* with regard to the sale or contribution of a subsidiary.

The amendments:

- Confirm that the IFRS 10.4(a) consolidation exemption is also available to parent entities which are subsidiaries of investment entities where the investment entity measures its investments at fair value in terms of IFRS 10.31
- Modify IFRS 10.32 to state that the consolidation requirement only applies to subsidiaries which are not themselves investment entities and whose main purpose is to provide services which relate to the investment entity's investment activities
- Provide relief to non-investment entity investors in associates or joint ventures that are investment entities by allowing the non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by the investment entity associates or joint ventures to their interests in subsidiaries

The effective date of these amendments is for years beginning on or after 1 January 2016.

The group expects to adopt these amendments for the first time in the 2017 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 11 *Joint Arrangements*

The amendments to IFRS 11 provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The group expects to adopt the amendment for the first time in the 2017 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of this amendment 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 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.25 New standards and interpretations continued

IAS 1 Presentation of Financial Statements

The amendments are designed to encourage entities to apply professional judgement in determining what information to disclose in the financial statements. The amendments clarify that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. It also clarifies that entities should use professional judgement in determining where and in what order information is presented in the financial statements.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 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 19 Employee Benefits

The amendments are to the requirements in IAS 19 for contributions from employees or third parties that are linked to service.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 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 27 Consolidated and Separate Financial Statements

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 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 28 Investments in Associates

The amendments to IAS 28 address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in IAS 28 *Investments in Associates* dealing with the sale or contribution of a subsidiary. The amendments also clarify when to account for assets that are sold or contributed, that constitute a business, as a single transaction.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

1. Accounting policies and presentation of annual financial statements *continued*

1.25 New standards and interpretations *continued*

IAS 34 *Interim Financial Reporting*

The amendments to IAS 34 clarify the meaning of disclosure of information elsewhere in the interim financial report and require the inclusion of a cross-reference in the interim financial statements to the location of the information. The amendments specify that the information must be available to users of the interim financial statements on the same terms and at the same time as the interim financial statements.

The effective date of these amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 interim financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of the amendments has not yet been estimated.

IAS 38 *Intangible Assets*

The amendments present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate except in two limited circumstances. It also provides guidance on the application of the diminishing balance method for intangible assets.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

2. Investment property

	Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
2.1 Net carrying value					
Historical cost		13 411 225	15 479 455	13 411 225	13 903 126
Accumulated fair value movements		12 319 452	9 895 987	12 319 452	9 853 810
Development property			(1 849 000)		(1 849 000)
Assets classified as held for sale	13	(1 218 899)	(1 731 000)	(1 218 899)	(1 731 000)
		24 511 778	21 795 442	24 511 778	20 176 936
2.2 Movement for the year					
Investment property at valuation at 1 July		21 795 442	18 287 042	20 176 936	18 287 042
Capital expenditure		333 659	2 681 042	333 659	2 680 894
African Land restructure	4.3	(1 618 506)			
Acquired through business combination (African Land)	34.2		1 557 394		
Foreign currency translation difference (African Land)			18 787		
Change in fair value		2 467 113	1 655 897	2 467 113	1 613 720
Disposals		(3 783)	(4 329)	(3 783)	(4 329)
Interest capitalised	23	2 472	37 664	2 472	37 664
Straight-line rental income accrual		(60 085)	(45 055)	(60 085)	(45 055)
Transfer from/(to) development property		1 849 000	(662 000)	1 849 000	(662 000)
Transfer to non-current assets held for sale		(253 534)	(1 731 000)	(253 534)	(1 731 000)
Investment property at valuation		24 511 778	21 795 442	24 511 778	20 176 936
2.3 Reconciliation to independent valuation					
Investment property at valuation at year-end		24 511 778	21 795 442	24 511 778	20 176 936
Straight-line rental income accrual		413 826	353 740	413 826	353 740
Building appurtenances and tenant installations		77 300	82 692	77 040	56 672
Centre management assets		(2 274)	(1 470)	(2 014)	(1 470)
Independent valuation⁽¹⁾		25 000 630	22 230 404	25 000 630	20 585 878
Capitalisation rate used to determine interest capitalised		7,7%	7,2%	7,7%	7,2%

⁽¹⁾ Excludes development property and property held for sale

Included in investment property held for sale is property under leasehold in respect of Willowbridge North. The lessor is Transnet Limited and the lease term runs until 30 June 2033.

2.4 Investment property pledged as security

The following properties have been pledged as security by means of mortgage bonds (refer to note 18):

To Standard Finance (Isle of Man) Limited and Standard Bank of South Africa Limited to secure borrowing facilities of USD160 million:

1. A 75,15% undivided share in The Glen
2. A 40% undivided share in Canal Walk

The market value of the bonded properties (75,15% of The Glen and 40% of Canal Walk respectively) at year-end was R5,7 billion.

2. Investment property continued

2.4 Investment property pledged as security continued

To Rand Merchant Bank (a division of FirstRand Bank Limited) to secure borrowing facilities totalling R762 million and USD30 million:

1. A 40% undivided share in Canal Walk

The market value of the bonded property (40% thereof) at year-end was R3,4 billion.

To Nedbank Limited to secure borrowing facilities totalling R2,7 billion:

1. CapeGate
2. Atterbury Value Mart
3. Woodlands Boulevard
4. Clearwater Mall
5. Willowbridge South

The market value of these properties at year-end was R9,5 billion.

2.5 Investment property valuation

Valuation process

It is the policy of the group to obtain an independent valuation of the investment property portfolio on a six-monthly basis. More than one independent valuer may be used to provide the valuation. Investment property is reflected at fair value at 30 June 2015.

The South African portfolio was valued at R26,2 billion at 30 June 2015, excluding minority interests (including property held for sale). The portfolio was valued by two independent, professionally qualified property valuers: The valuation division of Old Mutual Investment Group South Africa, led by Trevor King (BSc DipSurv MRICS Valuer), Professional Registered Valuer (SA), member of the South African Council for the Valuers Profession, Chartered Valuation Surveyor and Associate of the Royal Institution of Chartered Surveyors (UK), and the valuation division of Jones Lang LaSalle Proprietary Limited, led by Roger Long (BSc MBA FRICS MIV(SA)), Professional Registered Valuer, member of the South African Council for the Property Valuers Profession, Chartered Valuation Surveyor and Associate of the Royal Institution of Chartered Surveyors, using the discounted cash flow method.

The significant inputs and assumptions in respect of the valuation process are developed in close consultation with management. The valuation process and fair value changes are reviewed by the audit committee and the board of directors at each reporting date. The directors confirm that there have been no material changes to the assumptions applied by the registered valuers. The average annualised resultant portfolio yield produced by the valuers was 6,9%. The average annualised resultant yield range across all properties was 6,3% to 9,9%.

The most significant inputs to the valuation process, all of which are unobservable, are the estimated rental values, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The valuations are sensitive to all four assumptions. The inputs used in the valuations at 30 June 2015 were:

- The range of reversionary capitalisation rates applied to the portfolio was between 6,5% and 9,5% with the weighted average being 6,9% (2014: 7,3%)
- The discount rates applied range between 12,3% and 14,5% with the weighted average being 12,6% (2014: 12,5%)
- The permanent vacancy factor applied for shopping centres ranged between 0,5% and 2,0% (offices 2,5% and 5%)

Changes in discount rates attributable to changes in market conditions can have a significant impact on property valuations. A 25 basis point increase in the average discount rate will decrease the value of investment property portfolio by R560 million (2%). A 25 basis point decrease in the capitalisation rate will increase the value of investment property portfolio by R1,08 billion (4%).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

2. Investment property continued

2.5 Investment property valuation continued

Valuation techniques underlying management's estimation of fair value

The valuations were determined using discounted cash flow projections, based on significant unobservable inputs. These inputs include:

Future rental cash flows:	Based on the location, type and quality of the properties and supported by the terms of any existing leases or other contracts or external evidence such as current market rentals for similar properties.
Discount rates:	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
Vacancy rates:	Based on current and expected future market conditions after expiry of any current leases.
Maintenance costs:	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalisation rates:	Based on location, size and quality of the properties and taking into account market data at the valuation date.
Terminal value:	Taking into account assumptions regarding maintenance costs, vacancy rates and market rentals.

The methods of valuation applied by the independent valuers was the same as the prior year.

Fair value hierarchy

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.

Group and company

	Recurring fair value measurements – level 3	
	June 2015 Valuation R000	June 2014 Valuation R000
Shopping centres	23 408 630	19 213 269
Value centres	1 112 000	1 290 000
Standalone offices	480 000	90 000
Development property ⁽¹⁾		1 849 000
Total company	25 000 630	22 442 269
Manda Hill		1 618 506
Total group	25 000 630	24 060 775

⁽¹⁾ Rosebank Mall and the Mall Offices were classified as development property at 30 June 2014

2. Investment property continued

2.5 Investment property valuation continued

Group and company	Non-recurring fair value measurements – level 3 June 2015 Valuation R000	Non-recurring fair value measurements – level 3 June 2014 Valuation R000
Assets held for sale	1 225 775	1 731 000
Total group and company	1 225 775	1 731 000

There are interrelationships between unobservable inputs. Expected vacancy rates may impact the yield, with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's rental stream may result in an increase in property values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

3. Building appurtenances and tenant installations

	Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
3.1 Cost					
Building appurtenances		84 053	104 518	83 316	54 620
Tenant installations		42 715	37 216	42 715	35 434
		126 768	141 734	126 031	90 054
3.2 Accumulated depreciation					
Building appurtenances		29 098	43 684	28 621	18 774
Tenant installations		20 370	15 358	20 370	14 608
		49 468	59 042	48 991	33 382
3.3 Net carrying value					
Building appurtenances		54 955	60 834	54 695	35 846
Tenant installations		22 345	21 858	22 345	20 826
		77 300	82 692	77 040	56 672
3.4 Movement for the year					
Net carrying value – 1 July		82 692	63 065	56 672	62 899
Capital expenditure		42 718	13 541	42 505	20 051
Acquired through business combination (African Land)	34.2		35 447		
Foreign currency translation difference			428		
Disposal of building appurtenances and tenant installations		(965)	(2 468)	(703)	(2 457)
Disposal in respect of subsidiary	4.3	(25 552)			
Classified as held for sale		(1 539)	(7 390)	(1 539)	(7 390)
Depreciation		(20 054)	(19 931)	(19 895)	(16 431)
Net carrying value		77 300	82 692	77 040	56 672

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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4. Subsidiaries

4.1 Investment in subsidiaries

Details of the group's subsidiaries at the end of the year are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
			30 June 2015	30 June 2014
Hyprop Investments (Mauritius) Limited (Hyprop Mauritius)	Acquiring indirect development or income producing property investments in sub-Saharan Africa (excluding SA)	Mauritius	100%	100%
African Land Investments Limited (African Land)	Currently dormant. In 2014 the principal activity was acquiring income producing investment property in sub-Saharan Africa (excluding SA)	South Africa	100%	87%
Word4Word Marketing Proprietary Limited (Word4Word)	Marketing services	South Africa	100%	100%
Hyprop Investments Employee Incentive Scheme Proprietary Limited (Hyprop Investments Employee Incentive Scheme)	To hedge the obligation of the company to deliver Hyprop shares to employees, arising from allocations to employees in terms of the Hyprop Employee Incentive Scheme	South Africa	100%	100%
Hyprop Foundation NPC (Hyprop Foundation)	Company formed to further sustainability, enterprise development, socio-economic development and the corporate social initiatives of Hyprop	South Africa	100%	100%

Notes	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Hyprop Mauritius			*	*
The company acquired 100% of the issued capital in Hyprop Mauritius for USD1. Hyprop Mauritius holds a 37,5% interest in AttAfrica. Refer to note 6.				
African Land				
The company acquired 87% of African Land on 5 December 2013. Until its restructure, African Land indirectly held a 100% interest in Manda Hill Centre. Refer to note 34. Following the restructure of African Land, Hyprop became its sole shareholder.				
Cost				758 264
Reallocate to investment in subsidiaries/ (2014: transfer to assets held for sale)	13		758 264	(758 264)
Balance at end of year			758 264	
Word4Word				
Cost allocated to Word4Word			29 566	29 566
Impairment			(29 566)	(25 286)
Balance after impairment	9			4 280
Hyprop Investments Employee Incentive Scheme				
Cost			11 068	11 068
The company was incorporated on 19 September 2013.				
Hyprop Foundation				
The company was incorporated on 17 September 2013.				
Total investment in subsidiaries			769 332	15 348

* Amounts less than R1 000

4. Subsidiaries continued

4.1 Investment in subsidiaries continued

Subsidiaries and transactions with non-controlling interests

Set out below is summarised financial information for African Land, in which Hyprop had an 87% share as at 30 June 2014. African Land became a wholly owned subsidiary of Hyprop effective 1 July 2014. The amounts disclosed are based on those included in the consolidated financial statements, before the elimination of intercompany balances.

	African Land			
	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Summarised statement of financial position				
Current assets	13 252	7 393		
Current liabilities	(10 807)	(22 404)		
	2 445	(15 011)		
Non-current assets	771 230	1 644 235		
Non-current liabilities		(603 259)		
	771 230	1 040 976		
Net assets	773 675	1 025 965		
Non-controlling interest	nil	133 237		
Summarised statement of comprehensive income				
Revenue	nil	77 953		
Net (loss)/profit	(118 830)	62 393		
Total comprehensive (loss)/income	(118 830)	62 393		
Profit allocated to non-controlling interest	nil	8 103		
Dividends paid to non-controlling interest	495	4 539		
Summarised cash flows				
Cash flows from operating activities	(24 369)	(695 086)		
Cash flows from investing activities	768 761	(818 440)		
Cash flows from financing activities	728 140	1 501 920		
Significant restrictions				
None				
4.2 Dividends received from subsidiaries				
African Land			14 941	30 308
Hyprop Mauritius			27 678	4 770
Word4Word			1 500	1 500
Hyprop Investments Employee Incentive Scheme			753	365
Total dividends received			44 872	36 943

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for the year ended 30 June 2015

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4. Subsidiaries continued

4.3 Disposal of subsidiary

During the financial year, pursuant to its restructure arrangements, African Land disposed of its subsidiary companies, Manda Hill Centre Limited and African Land Investments Ireland Limited. The effective date of the African Land restructure was 1 July 2014. The restructure entailed the following:

- African Land disposed of its investments in Manda Hill Centre and African Land Investments Ireland to MHPC Limited, which is 100% owned by Manda Hill Mauritius Limited
- African Land bought back its shares, from the non-controlling parties and Hyprop became the sole shareholder of African Land
- African Land advanced a loan to Hyprop.

The values of the assets and liabilities disposed of were as follows:

	GROUP June 2015 R000
Building appurtenances and tenant installations	25 552
Investment property	1 618 506
Trade receivables (including income in advance)	(1 988)
Cash and cash equivalents	8 518
Payables	(11 815)
Total net assets disposed of	1 638 773
Loss on disposal of subsidiary	(118 351)*
Proceeds on disposal of subsidiary	1 520 422
Cash and cash equivalents disposed of	(8 518)
Total cash received	1 511 904
Reconciliation of loss on disposal of subsidiary to the loss on disposal of subsidiary in the statement of comprehensive income	
Loss on disposal of subsidiary	(118 351)
Equity-accounted gain on bargain purchase	88 340
Loss on disposal of subsidiary in the statement of comprehensive income	(30 011)
African Land bought back shares held by its non-controlling interest on 1 July 2014. This resulted in an increase of 12.99% of the group's ownership in African Land. Cash consideration of R118 million was paid to the non-controlling shareholders.	
Cash consideration paid to non-controlling shareholders	(118 024)
Carrying value of the additional interest in African Land	115 315
Loss recognised in statement of changes in equity	(2 709)

5. Joint operations

The following is a summary of Hyprop's undivided share in co-owned shopping centres at year-end[#]:

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Canal Walk – 80% – Western Cape, South Africa				
Carrying value of investment property	6 732 800	6 064 000	6 732 800	6 064 000
Current assets	63 972	12 923	63 972	12 923
Current liabilities	61 495	52 340	61 495	52 340
Net property income				
Investment property income	579 188	545 252	579 188	545 252
Property expenses	(166 880)	(165 998)	(166 880)	(165 998)
Net property income	412 308	379 254	412 308	379 254
The Glen – 75,15% – Gauteng, South Africa				
Carrying value of investment property	2 329 830	2 059 269	2 329 830	2 059 269
Current assets	17 403	2 102	17 403	2 102
Current liabilities	22 941	22 982	22 941	22 982
Net property income				
Investment property income	218 999	214 218	218 999	214 218
Property expenses	(65 203)	(71 020)	(65 203)	(71 020)
Net property income	153 796	143 198	153 796	143 198

[#] Excludes Stoneridge which is disclosed in the held for sale note. Refer to note 13

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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6. Investment in joint ventures

6.1 Joint venture – AttAfrica Limited (AttAfrica)

Hyprop Mauritius has a 37,5% interest in AttAfrica (formerly Atterbury Africa Limited), a Mauritius-based property investment company. The initial investment was made on 20 November 2012. Hyprop Mauritius has 50% of the voting rights on the board of AttAfrica. Hyprop Mauritius accordingly has joint control of AttAfrica.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Initial investment in equity	#	#		
Share in equity-accounted profits	^	^		
# Less than R1 000				
^ Nil				
At 30 June 2015, Hyprop Mauritius' 37,5% share of AttAfrica's liabilities exceeded its share of the assets by R39 million (2014: R15 million).				
Summarised financial information of AttAfrica is as follows (all figures reflect 100% of AttAfrica):				
Summarised statements of comprehensive income				
Share of losses of associates	(3 575)	(766)		
Other income	44 397	6 604		
Property income	101 861			
Operational expenses	(223 802)	(14 510)		
Property expenses	(26 627)			
Interest income	45 964	11 793		
Finance cost	(181 409)	(70 540)		
Fair value gain on investment property		4 506		
Share of profits of joint venture	121 871	41 318		
Loss before taxation	(121 320)	(21 595)		
Taxation	9 600			
Loss for the year	(111 720)	(21 595)		
Other comprehensive loss				
Foreign currency translation reserve	(5 730)			
Share of other comprehensive loss of associate		(736)		
Total comprehensive loss for the year	(117 450)	(22 331)		
Attributable to:				
Equity holders of the company	(59 693)	(19 036)		
Non-controlling interests	(57 757)	(3 295)		
Hyprop's share of profits and losses of AttAfrica				
– Share of gain on acquisition of Manda Hill Centre	24 093			
– Share of losses from joint venture	(24 093)			

6. Investment in joint ventures continued

6.1 Joint venture – AttAfrica continued

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Summarised statements of financial position				
Assets				
Non-current assets	3 134 515	1 339 381		
Investment property	1 787 992	883 617		
Investment in associates	2 419	5 388		
Investment in joint venture	374 243	218 575		
Loan receivable	956 310	231 572		
Deferred taxation	10 874			
Property, plant and equipment	2 677	229		
Current assets	287 480	180 171		
Cash and cash equivalents	48 321	36 404		
Trade and other receivables	239 159	143 767		
Total assets	3 421 995	1 519 552		
Equity and liabilities				
Capital and reserves	38 613	153 287		
Shareholders' deficit	(104 765)	(39 999)		
Non-controlling interest	138 373	190 880		
Foreign currency translation reserve	5 005	2 406		
Non-current liabilities	3 235 094	1 288 689		
Borrowings	3 235 094	1 288 689		
Current liabilities	148 288	77 576		
Trade and other payables	148 288	77 576		
Total equity and liabilities	3 421 995	1 519 552		
Unrecognised share of losses in AttAfrica	39 287	15 000		
Commitments and contingent liabilities relating to AttAfrica				
Guarantees	469 545	92 671		

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

6. Investment in joint ventures continued

6.2 Joint venture – Manda Hill Mauritius Limited (Manda Hill Mauritius)

Hyprop Mauritius has a 50% interest in Manda Hill Mauritius, a Mauritius-based property investment company. AttAfrica holds the other 50% of the shares in Manda Hill Mauritius. Hyprop Mauritius' effective economic interest in Manda Hill Mauritius is 68,75%. The effective date of the investment is 1 July 2014. Hyprop Mauritius has 50% of the voting rights on the board of Manda Hill Mauritius. Hyprop Mauritius accordingly has joint control of Manda Hill Mauritius.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Initial investment in equity	#			
<i># Less than R1 000</i>				
As at 30 June 2015, Hyprop Mauritius' 50% share of Manda Hill Mauritius' assets exceeded its liabilities by R81,6 million.				
Summarised financial information of Manda Hill Mauritius is as follows (all figures reflect 100% of Manda Hill Mauritius):				
Summarised statements of comprehensive income				
Rental income	139 374			
Property income	16 061			
Gain on bargain purchase	128 494			
Other income	5 424			
Operational expenses	(29 656)			
Other expenses	(31 745)			
Finance cost	(85 735)			
Profit before taxation	142 217			
Taxation	(432)			
Profit for the year	141 785			
Other comprehensive loss				
Foreign currency translation reserve	21 399			
Total comprehensive income for the year	163 184			
Attributable to:				
Equity holders of the company	163 184			
Non-controlling interests				
Hyprop's share of profits of Manda Hill Mauritius	70 893			
– Share of gain on bargain purchase	64 247			
– Share of income from joint venture	6 646			

6. Investment in joint ventures continued

6.2 Joint venture – Manda Hill Mauritius Limited (Manda Hill Mauritius) continued

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Summarised statements of financial position				
Assets				
Non-current assets	1 924 637			
Investment property	1 896 202			
Property, plant and equipment	28 435			
Current assets	8 871			
Cash and cash equivalents	4 385			
Trade and other receivables	4 486			
Total assets	1 933 508			
Equity and liabilities				
Capital and reserves	163 184			
Shareholders' equity	141 785			
Foreign currency translation reserve	21 399			
Non-current liabilities	1 749 089			
Shareholder loans	1 025 379			
Other payables	17 764			
Borrowings	705 946			
Current liabilities	21 235			
Trade and other payables	21 235			
Total equity and liabilities	1 933 508			
Hyprop's share of net assets in Manda Hill Mauritius	80 996			
50% of net assets of Manda Hill Mauritius	70 893			
Cost of A shares in Manda Hill Centre	10 103			
Commitments and contingent liabilities relating to Manda Hill Mauritius				
Guarantees	Nil			

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

7. Investment in associate

Details of the group's associate at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
			30 June 2015	30 June 2014
It's Called Advertising Proprietary Limited ⁽¹⁾ (It's Called Advertising)	Graphic design and advertising company	South Africa	40%	40%

⁽¹⁾ 40% of It's Called Advertising is owned by Word4Word. Word4Word is a wholly owned subsidiary of Hyprop. Refer to note 5

Summarised financial information of the group's associate is set out below:

Reconciliation to the statements of financial position

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
It's Called Advertising				
Total assets	2 592	2 045		
Non-current assets	142	159		
Current assets	2 450	1 886		
Total liabilities	555	546		
Non-current liabilities				
Current liabilities	555	546		
Net assets	2 037	1 499		
Group's share of net assets of It's Called Advertising	827	600		
Investment in associate	827	600		

Reconciliation to the statements of comprehensive income

It's Called Advertising				
Total revenue	9 095	7 618		
Total profit for the year	1 631	1 154		
Group's share of profits of It's Called Advertising	652	462		

8. Other investment

Details of the group's investment at the end of the reporting period are as follows:

Name of investment	Principal activity	Place of incorporation and operation	Proportion of ownership interest	
			30 June 2015	30 June 2014
AttAfrica SA Proprietary Limited (AttAfrica SA)	Provides asset management and consulting services to AttAfrica	South Africa	37,5%	

The acquisition date of the investment was 14 July 2014.

Although Hyprop has a 37,5% interest, it does not participate on the board of AttAfrica SA and does not have significant influence over the entity and therefore the investment is not an associate nor is it equity accounted.

8. Other investment continued

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Balance at beginning of year				
Acquired during the year	#		#	
Balance at end of year	#		#	

Amount less than R 1 000

No impairment was recognised during the current year.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Statement of financial position – AttAfrica SA				
Total assets	474			
Non-current assets	95			
Current assets	379			
Total liabilities	244			
Non-current liabilities				
Current liabilities	244			
Net assets	230			
Group's share of net assets of AttAfrica SA	86			
Statement of comprehensive income – AttAfrica SA				
Total revenue	5 233			
Total profit for the year	229			
Group's share of profits of AttAfrica SA	86			

9. Goodwill

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Goodwill arising on acquisition				
Word4Word	4 280	12 059		
Impairment – current year	(4 280)	(7 779)		
Balance		4 280		

The group tests goodwill for impairments annually.

The recoverable amount of goodwill was determined based on its value in use by using the discounted cash flow method over three years.

■ Budgets and forecasts were prepared by management of Word4Word.

■ Due to changes in the operational structure of Word4Word and the loss of key contracts, its expenses exceed its income. Therefore it is estimated that the company may incur losses in the foreseeable future.

■ Impairment testing, taking into account these developments, resulted in the further reduction of goodwill in 2015 to a recoverable amount of nil.

■ Management is not currently aware of any probable changes that would necessitate changes in the key estimates.

Key assumptions used during this valuation process:

■ Income decreased between 7% and 10% (2014 increased: 5%).

■ Expenses increased between 6% and 7% (2014: 5%).

■ Future cash flows were discounted at 18% (2014: 18%) which is a comparable rate for companies of this nature.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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10. Loans receivable

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
AttAfrica – Rand equivalent of US Dollar loan	1 739 053	812 459		
The loan repayment date is 30 June 2020 and represents Hyprop's shareholder loan funding to AttAfrica. The loan is unsecured and bears interest at an initial rate of 8%, escalating at 4% per annum. Hyprop Mauritius has a 37,5% equity interest in AttAfrica.				
Manda Hill Mauritius – Rand equivalent of US Dollar loan	519 072			
The loan is unsecured, bears interest at a variable rate which equates to Hyprop Mauritius' 50% share of distributable income from Manda Hill Mauritius. The loan is not payable in the next 12 months.				
African Land			3 318	
The loan is unsecured, bears no interest and is repayable on demand.				
Portion 113 Weltevreden Proprietary Limited, a company associated with Abland Proprietary Limited (Abland)	7 484	47 145	7 484	47 145
The loan was advanced to Abland in 2008 to facilitate the acquisition by Abland of its 10% interest in Stoneridge. This loan is repayable on the transfer date of Stoneridge Shopping Centre, bears interest at a rate linked to the prime rate. Interest is payable monthly in arrears.				
Redefine Properties Limited	45 904		45 904	
Redefine entered into an agreement with Hyprop to purchase Stoneridge Shopping Centre. The effective date of the transaction was 1 April 2015, when all risks and rewards relating to the shopping centre were transferred to Redefine. Transfer has not yet taken place and the amount outstanding at year-end will be received on transfer date. Hyprop earns interest on the outstanding amount at 8% per annum, from the effective date to the transfer date.				
Hyprop Mauritius – wholly owned subsidiary of Hyprop			9 993	188
The loan is unsecured, bears no interest and is repayable on demand.				
Hyprop Investments Employee Incentive Scheme – wholly owned subsidiary of Hyprop			382	
The loan is unsecured and bears no interest. The loan relates to a dividend declared on 30 June 2015 to Hyprop.				
Attacq	369	341	369	341
The loan relates to Attacq's portion of a claim relating to the African Land acquisition. The loan bears interest at 8,3% per annum and is repayable when the claim is settled, which is anticipated to be within the next 12 months.				
	2 311 882	859 945	67 450	47 674
Reconciliation to the statements of financial position				
Non-current loans receivable	2 258 125	812 459		
Current loans receivable	53 757	47 486	67 450	47 674
Total	2 311 882	859 945	67 450	47 674

11. Trade and other receivables

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Rent receivable	19 436	32 750	19 436	22 820
Allowance for doubtful debts	(10 704)	(18 557)	(10 704)	(8 869)
Other receivables	78 420	89 493	69 579	88 678
	87 152	103 686	78 311	102 629
Movements in allowance for doubtful debts				
Opening balance – 1 July	(18 557)	(8 974)	(8 869)	(8 974)
Restructure of African Land	9 688			
Allowance for doubtful debts	(7 391)	(12 577)	(7 391)	(2 889)
Receivables written off during the year	5 556	2 994	5 556	2 994
Closing balance – 30 June	(10 704)	(18 557)	(10 704)	(8 869)
Ageing of impaired receivables				
Current	4 109	3 426	4 109	3 426
30 days	2 527	1 172	2 527	1 172
60 days	1 049	1 847	1 049	1 034
90+ days	3 019	12 112	3 019	3 237
	10 704	18 557	10 704	8 869
Ageing of receivables past due but not impaired				
30 days	2 657	2 507	2 657	2 265
60 days	300	1 489	300	1 489
90+ days		1 309		1 309
Total	2 957	5 305	2 957	5 063

No interest is charged on trade receivables if payment is received within seven days from the date of invoice. Thereafter interest is charged at prime plus 2%. The allowance for doubtful debts has been determined on a tenant-by-tenant basis, taking into account the circumstances of each tenant. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. Save for national tenants, a deposit in the form of cash or bank guarantee is obtained from the tenant in terms of Hyprop's deposit policy. Furthermore, and only if required, a deed of suretyship will be obtained from a tenant.

Management believes that there are no significant trade receivables that are doubtful that have not been provided for as doubtful debts or written off.

12. Cash and cash equivalents

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Cash held on call account as security for municipal and other guarantees	10 533	8 620	10 533	8 620
Bank balances and cash	73 308	68 733	52 437	52 637
Balance at end of year	83 841	77 353	62 970	61 257

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13. Non-current assets classified as held for sale

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Investment property				
Willowbridge				
The centre was valued on 30 June 2015 at R622 million, being the fair value of the investment property. The assets and liabilities of Willowbridge Shopping Centre are reflected at their carrying amounts at 30 June 2015 as follows:				
Assets	626 025	600 710	626 025	600 710
Investment property	619 892	594 000	619 892	594 000
Building appurtenances and tenant installations	2 108	1 996	2 108	1 996
Trade and other receivables	2 617	3 711	2 617	3 711
Cash and cash equivalents	1 408	1 003	1 408	1 003
Liabilities	11 494	20 299	11 494	20 299
Trade and other payables	11 494	20 299	11 494	20 299
Classified as held for sale in the statements of financial position	614 531	580 411	614 531	580 411
Somerset Value Mart				
The centre was valued on 30 June 2015 at R193 million, being the fair value of the investment property. The assets and liabilities of Somerset Value Mart are reflected at their carrying amounts at 30 June 2015 as follows:				
Assets	194 892		194 892	
Investment property	192 835		192 835	
Building appurtenances and tenant installations	165		165	
Trade and other receivables	1 256		1 256	
Cash and cash equivalents	636		636	
Liabilities	1 855		1 855	
Trade and other payables	1 855		1 855	
Classified as held for sale in the statements of financial position	193 037		193 037	
Standalone office parks				
The office parks were valued at 30 June 2015 at R409 million, being the fair value of the investment properties. The assets and liabilities of the office parks are reflected at their carrying amounts at 30 June 2015 as follows:				
Assets	412 370	378 381	412 370	378 381
Investment property	404 397	367 000	404 397	367 000
Building appurtenances and tenant installations	4 603	3 341	4 603	3 341
Trade and other receivables	2 631	6 709	2 631	6 709
Cash and cash equivalents	739	1 331	739	1 331
Liabilities	8 218	19 512	8 218	19 512
Trade and other payables	8 218	19 512	8 218	19 512
Classified as held for sale in the statements of financial position	404 152	358 869	404 152	358 869

13. Non-current assets classified as held for sale continued

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Stoneridge Shopping Centre				
During October 2014, Redefine entered into an agreement with Hyprop to purchase 100% of Stoneridge Shopping Centre.				
The effective date of this transaction was 1 April 2015 on which date all risks and rewards relating to the shopping centre were transferred to Redefine. Transfer of the property has not yet taken place.				
The shopping centre was sold for R492 million (including an escalation amount of R12 million), of which R50 million will be received on transfer date.				
Hyprop's share (90%) of the assets and liabilities of Stoneridge were reflected at 30 June 2014 at their carrying amounts as follows:				
Assets		437 965		437 965
Investment property		432 000		432 000
Building appurtenances and tenant installations		2 053		2 053
Trade and other receivables		3 291		3 291
Cash and cash equivalents		621		621
Liabilities		797		797
Trade and other payables		797		797
Classified as held for sale in the statements of financial position		437 168		437 168
Greenstone park				
This land is adjacent to Stoneridge. It was not sold as part of the Hyprop/Redefine sale agreement.				
The land was valued by the directors at 30 June 2015 at R1,7 million.				
Assets	1 775		1 775	
Investment property	1 775		1 775	
Classified as held for sale in the statements of financial position	1 775		1 775	
CapeGate Lifestyle Centre				
The centre was sold in two separate transactions during 2015. The CapeGate Value centre was sold for R30 million and transfer took place on 19 December 2014.				
The remaining part of CapeGate Lifestyle Centre was sold for R323 million on 20 March 2015.				
The assets and liabilities of CapeGate Lifestyle Centre were reflected at their carrying amounts at 30 June 2014 as follows:				
Assets		341 935		341 935
Investment property		338 000		338 000
Trade and other receivables		3 935		3 935
Liabilities		13 147		13 147
Trade and other payables		13 147		13 147
Classified as held for sale in the statements of financial position		328 788		328 788

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13. Non-current assets classified as held for sale continued

Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Investment in associate – Mantrablox				
In December 2013, Attacq exercised its option to acquire Hyprop's 20% interest in Mantrablox Proprietary Limited.				
Opening balance – 1 July 2013		121 569		
Profit on disposal		17 431		21 400
Proceeds on sale		(139 000)		(139 000)
Transfer to held for sale				117 600
Classified as held for sale in the statements of financial position				
Sycom Property Fund				
Hyprop owned 84 225 688 Sycom units in 2013, being 29,9% of the units in issue.				
During March 2013, Hyprop and Sycom Property Fund Managers Limited (SPFM) entered into an agreement whereby Hyprop acquired 100% of Somerset Mall from Sycom for a purchase consideration of R2,3 billion.				
The purchase consideration was discharged by Hyprop transferring to SPFM 81 500 000 Sycom units (the Somerset Mall transaction).				
The effective date of the transaction was 1 October 2013. The remaining Sycom units held by Hyprop were sold in December 2013 and January 2014.				
Opening balance – 1 July 2013		2 279 253		2 279 253
Change in fair value		(82 266)		(82 266)
Profit on disposal		168 869		168 869
Acquisition of Somerset Mall		(2 300 000)		(2 300 000)
Cash proceeds		(65 856)		(65 856)
Classified as held for sale in the statements of financial position				
Investment in subsidiary				
Hyprop and Attacq restructured their investment in African Land. The restructure was effective 1 July 2014.				
Post finalisation of the restructure, the investment in African Land as a subsidiary remained. Hence the reclassification to non-current assets.				
Hyprop's effective economic interest in Manda Hill reduced from 87% to 68,75%, as a consequence of the restructure, while African Land became a wholly owned subsidiary.				
Transfer to held for sale	4.1			758 264
Classified as held for sale in the statements of financial position				
				758 264

13. Non-current assets classified as held for sale continued

	Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Total investment property classified as held for sale					
Assets		1 235 062	1 758 991	1 235 062	1 758 991
Investment property	2.1	1 218 899	1 731 000	1 218 899	1 731 000
Building appurtenances and tenant installations		6 876	7 390	6 876	7 390
Trade and other receivables		6 504	17 646	6 504	17 646
Cash and cash equivalents		2 783	2 955	2 783	2 955
Liabilities*		21 567	53 755	21 567	53 755
Trade and other payables		21 567	53 755	21 567	53 755
Classified as held for sale in the statements of financial position					
		1 213 495	1 705 236	1 213 495	1 705 236
* Liabilities directly associated with non-current assets held for sale have been disclosed separately on the face of the statements of financial position in accordance with IFRS 5 Non-current Assets Held for Sale. Prior year comparatives were reclassified accordingly.					
Movement in assets held for sale					
Investment property, building appurtenances and tenant installations					
Opening balance		1 738 390		1 738 390	
Disposal	30.6	(768 186)		(768 186)	
Additions (includes cost and fair value adjustments)		74 345		74 345	
Depreciation		(3 588)		(3 588)	
Transfer to held for sale		184 812	1 738 390	184 812	1 738 390
Closing balance		1 225 773	1 738 390	1 225 773	1 738 390
Working capital					
Opening balance		(33 154)		(33 154)	
Disposal		6 100		6 100	
Additions	30.2	14 740		14 740	
Transfer to held for sale		36	(33 154)	36	(33 154)
Closing balance		(12 278)	(33 154)	(12 278)	(33 154)
Classified as held for sale in the statements of financial position					
		1 213 495	1 705 236	1 213 495	1 705 236

Although, Willowbridge, Somerset Value Mart and the Pretoria standalone office parks were classified as held for sale at 30 June 2014, Hyprop is confident that these properties will be sold.

No formal sale agreements are in place as at 30 June 2015, but Hyprop is in advanced discussions with potential purchasers.

The properties continue to be measured under IAS 40 and all requirements of IFRS 5 have been met.

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14. Stated capital

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Authorised				
500 000 000 no par value ordinary shares (2014: 500 000 000)				
Issued				
243 256 092 no par value ordinary shares (2014: 243 256 092)	6 987 996	1 661	6 987 996	1 661
Less: 153 659 no par value ordinary treasury shares (2014: 153 659) ⁽¹⁾	(11 068)			
Balance at end of year	6 976 928	1 661	6 987 996	1 661
Reconciliation – number of shares in issue				
Balance at beginning of year	243 102 433	243 113 169	243 256 092	243 113 169
Shares issued	243 256 092	243 113 169	243 256 092	243 113 169
Treasury shares	(153 659)			
Issued during the year ⁽²⁾		142 923		142 923
Less: treasury shares ⁽¹⁾		(153 659)		
Balance at end of year	243 102 433	243 102 433	243 256 092	243 256 092

⁽¹⁾ Shares held in treasury are to hedge the company's obligation in terms of the long-term Hyprop Employee Incentive Scheme (conditional unit plan (CUP)). Subsequent to year-end a further 112 000 shares were purchased in the market, also to hedge the company's obligations in terms of the CUP. Refer to notes 17 and 26.

⁽²⁾ 142 923 new combined units were issued during the 2014 year at an issue price of R73,43 per unit. The new combined units were issued under a general authority, as part consideration for the acquisition of Hyprop's interest in African Land.

Effective 18 August 2014 (the effective date), Hyprop converted its combined units (with a share linked to a debenture) to an all-equity capital structure.

Historical debenture capital and debenture premium, as well as amortised debenture premium included in non-distributable reserves, were transferred to stated capital on the effective date.

The capital conversion process entailed the following:

- The delinking of each Hyprop ordinary share from a Hyprop debenture so as to no longer constitute a combined unit.
- The cancellation of each debenture and concomitant waiver, for no consideration, by the debenture holders of their right to be repaid the nominal value of each debenture.
- Capitalisation of the value allocated to each debenture in the books of account of the company plus the amortised debenture premium included in non-distributable reserves, equating to the issue price of each debenture, to Hyprop's stated capital account.
- The amendment and subsequent termination of Hyprop's debenture trust deed.
- The amendment of Hyprop's Memorandum of Incorporation to reflect the change in Hyprop's capital structure.

15. Reserves

15.1 Non-distributable reserves

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Revaluation of: Investment property	13 281 174	10 814 061	12 683 886	10 216 772
Listed property securities	616 759	616 759	616 759	616 759
Derivative instruments	10 706	(8 851)	28 813	(6 833)
Realised surplus/(loss) on disposal of: Investment properties	163 656	139 413	163 656	139 413
Listed property securities	276 630	276 630	276 630	276 630
Subsidiaries	(118 351)			
Associate	17 431	17 431	21 400	21 400
Shares (African Land)	(2 709)			
Other	(22 493)	(15 856)	(22 534)	(15 897)
Amortised debenture premium		1 256 148		1 256 148
Non-distributable reserves of associate	125 344	125 344	121 375	121 375
Impairment of goodwill	(559 713)	(555 433)	25 400	25 400
Gain on bargain purchase (African Land)	191 235	102 895		
Impairment of intercompany loan			(5 682)	(5 682)
Impairment of investment in subsidiary (Word4Word)			(29 566)	(25 286)
	13 979 669	12 768 541	13 880 137	12 620 199
15.2 Share-based payment reserve⁽¹⁾				
Share-based payment	8 356	1 649	8 356	1 649
	8 356	1 649	8 356	1 649
Total	13 988 025	12 770 190	13 888 493	12 621 848

⁽¹⁾ Relates to the amortised share-based payment cost for the Hyprop Employee Incentive Scheme (CUP)

16. Foreign currency translation reserve

The foreign currency translation reserve arises from the conversion of Hyprop Mauritius (and African Land as at 30 June 2014) from their functional currency, US Dollar, to South African Rand on consolidation. Refer to note 4.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Opening balance	8 074	313		
Movement	5 329	8 894		
Non-controlling interest		(1 133)		
Closing balance	13 403	8 074		

The closing exchange rate at 30 June 2015 was R12,28:USD1 (2014: R10,58:USD1).

The average exchange rate for the 12 months ended 30 June 2015 was R11,45:USD1 (2014: R10,37:USD1)

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17. Debentures and debenture premium

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Issued				
Nil (2014: 243 256 092) unsecured unsubordinated variable rate debentures of 493 cents each		1 199 253		1 199 253
Premium on debentures		4 519 866		4 530 934
Upon issue of combined units		5 787 082		5 787 082
Debentures included in treasury shares		(11 068)		(11 068)
Debenture premium amortised		(1 256 148)		(1 256 148)
		5 719 119		5 730 187
Movement for the year				
Balance at 1 July	5 719 119 (5 719 119)	5 822 497	5 730 187 (5 730 187)	5 822 497
Capital restructure		10 496		10 496
New issue of combined units		(11 068)		(11 068)
Transferred to treasury shares		(102 806)		(102 806)
Current period premium amortisation				
Balance at end of year		5 719 119		5 730 187

On 18 August 2014 the capital of the company was restructured to convert the debentures and debenture premium to stated capital. Refer to note 14.

18. Borrowings

	Facility (drawn down) R000	Secured by invest- ment property at fair value	Capital repayment date	Interest rate	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
SA Rand bank facilities		R9,5 billion*						
Nedbank								
R2,3 billion of the Nedbank loans are fixed at an average rate of 8,7% and have an average maturity of 5,6 years								
	1 203 935		August 2016	Prime – 1,8%	788 936	722 914 [#]	788 936	722 914 [#]
	1 540 304		June 2018	Prime – 1,8%	1 537 902	1 536 380	1 537 902	1 536 380
Rand Merchant Bank (a division of FirstRand Bank Limited)								
The loan was fixed until September 2014 at an average rate of 9,23%								
			September 2014	JIBAR + 1,75%		200 000 [#]		200 000 [#]
The Standard Bank of South Africa Limited								
The drawn down amount of R393 million was floating at 30 June 2014								
			December 2014	JIBAR + 0,8%		393 117 [#]		393 117 [#]
US Dollar bank facilities		R3,4 billion (40% of Canal Walk)						
RMB								
86% of the drawn down amount of R296,8 million (USD24,2 million) is fixed for the full term. The average rate is 4,6%								
	USD30 million		May 2018	LIBOR + 3,2%	296 820	172 272		
The Standard Bank of South Africa Limited								
86% of the drawn down amount of R1,2 billion (USD96,4 million) is fixed. The average rate is 4,38%								
	USD100 million	R5,7 billion (40% of Canal Walk, 75,15% of The Glen)	August 2019	LIBOR + 2,75%	1 183 585			
The drawn down amount of R603,3 million (USD57,5 million) was floating and was settled by African Land in September 2014								
			December 2016	LIBOR + 4,75%		603 259		
Standard Finance (Isle of Man) Limited								
The drawn down amount of R485,9 million (USD39,6 million) is fixed for the full term at an average rate of 4,2%								
	USD40 million	R5,7 billion (40% of Canal Walk, 75,15% of The Glen)	October 2017	LIBOR + 3,17%	485 940	417 639		
96% of the drawn down amount of R226,7 million (USD18,5 million) is fixed for the full term. The average rate is 4,4%								
	USD20 million		November 2018	LIBOR + 2,85%	226 726	200 086		

* CapeGate, Atterbury Value Mart, Woodlands Boulevard, Clearwater Mall and Willowbridge South

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18. Borrowings continued

	Capital repayment date	Interest rate	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Debt capital market funding						
Corporate bonds						
Six-year bond – fixed until October 2020 at 9,39%	November 2019	Base rate + 1,54%	450 000	450 000	450 000	450 000
Five-year bond – fixed for the full term at 7,33%	September 2017	JIBAR + 1,50%	300 000	300 000	300 000	300 000
Five-year bond – fixed at an average rate of 7,69% and an average maturity of 1,9 years	May 2018	JIBAR + 1,45%	450 000	450 000	450 000	450 000
Three-year bond ⁽¹⁾	July 2015	JIBAR + 1,34%	400 000 [#]	400 000	400 000 [#]	400 000
Five-year bond – fixed until September 2019 at 9,23%	November 2019	JIBAR + 1,5%	200 000		200 000	
Commercial paper						
Three-month commercial paper ⁽¹⁾	October 2015	JIBAR + 0,36%	182 000 [#]	499 000 [#]	182 000 [#]	499 000 [#]
Three-month commercial paper	August 2015	JIBAR + 0,36%	190 000 [#]	198 000 [#]	190 000 [#]	198 000 [#]
Total interest-bearing borrowings			6 691 909	7 198 853	4 498 838	5 805 597
African Land – the loan is unsecured, bears no interest and is payable on demand					761 128	
Total non-interest-bearing borrowings					761 128	
Reconciliation to the statements of financial position						
Non-current			5 919 909	5 185 822	3 726 838	3 792 566
Long-term portion of interest-bearing borrowings			5 919 909	5 185 822	3 726 838	3 792 566
Current			772 000[#]	2 013 031[#]	1 533 128[#]	2 013 031[#]
Short-term portion of interest-bearing borrowings			772 000 [#]	2 013 031 [#]	772 000 [#]	2 013 031 [#]
African Land					761 128	
Total borrowings			6 691 909	7 198 853	5 259 966	5 805 597

⁽¹⁾ The three-year bond and R300 million of the commercial paper are fixed at an average rate of 9,4% and have an average maturity of 6,6 years.[#] Short term

At year-end, interest rates were fixed in respect of 94,5% (June 2014: 71,4%) of borrowings, at a weighted average rate of 7,1% (June 2014: 7,5%). The loan to value ratio at year-end was 22,9% (June 2014: 26,6%).

19. Derivative instruments

Derivative instruments comprise interest rate swaps.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Opening balance as at 1 July	(8 851)	(13 127)	(6 833)	(13 127)
Foreign exchange movement on opening balance	(325)			
Fair value adjustment	19 556	4 276	35 645	6 294
Balance at end of year	10 380	(8 851)	28 812	(6 833)
The Standard Bank of South Africa Limited				
Assets				
Non-current Interest rate swap	8 795	8 080	8 795	8 080
Liabilities				
Non-current Interest rate swap	(9 270)	(22 041)	(9 270)	(22 041)
Rand Merchant Bank				
Assets				
Non-current Interest rate swap	15 776	23 561	15 776	23 561
Liabilities				
Non-current Interest rate swap	(21 605)	(5 492)	(3 173)	(3 474)
Nedbank Limited				
Assets				
Non-current Interest rate swap	28 561	1 337	28 561	1 337
Liabilities				
Non-current Interest rate swap	(9 248)	(14 296)	(9 248)	(14 296)
Current Interest rate swap	(2 629)		(2 629)	
Balance at end of year	10 380	(8 851)	28 812	(6 833)
Reconciliation to the statements of financial position				
Non-current assets	53 132	32 978	53 132	32 978
Non-current liabilities	(40 123)	(41 829)	(21 691)	(39 811)
Current liabilities	(2 629)		(2 629)	
Balance at end of year	10 380	(8 851)	28 812	(6 833)

The valuation of the derivative instruments was determined by discounting the future cash flows using the JIBAR or LIBOR swap curve.

Financial institution	Nominal amount	Fixed rate	Expiry date	Rate
RMB	R200 million	8,14%	1/2/2016	JIBAR-linked
RMB	R450 million	5,87%	18/4/2018	JIBAR-linked
RMB	R300 million	5,83%	13/9/2017	JIBAR-linked
RMB	R200 million	7,73%	18/9/2019	JIBAR-linked
RMB	USD7 682 773	4,26%	6/5/2018	LIBOR-linked
RMB	USD1 783 500	1,67%	17/5/2018	LIBOR-linked
RMB	USD1 647 000	1,27%	17/5/2018	LIBOR-linked
RMB	USD4 987 500	2,10%	18/5/2020	LIBOR-linked
RMB	USD4 500 000	4,47%	17/5/2018	LIBOR-linked
Standard Bank	R450 million	7,85%	31/10/2020	JIBAR-linked
Standard Bank	R300 million	7,82%	31/10/2023	JIBAR-linked
Standard Bank	R100 million	8,04%	9/11/2019	JIBAR-linked
Standard Bank	R100 million	7,85%	25/5/2024	JIBAR-linked
Standard Bank	R100 million	8,02%	13/8/2018	JIBAR-linked
Standard Bank	R100 million	8,50%	3/2/2020	JIBAR-linked
Nedbank	R500 million	7,43%	4/1/2021	JIBAR-linked
Nedbank	R500 million	7,55%	1/10/2021	JIBAR-linked
Nedbank	R500 million	8,59%	4/1/2016	JIBAR-linked
Nedbank	R500 million	7,61%	1/9/2021	JIBAR-linked
Nedbank	R250 million	7,21%	1/2/2021	JIBAR-linked
Nedbank	R250 million	8,54%	2/1/2020	JIBAR-linked
Nedbank	R250 million	8,29%	2/1/2020	JIBAR-linked

Further disclosure on the designation of the interest rate swaps is provided in note 38.

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20. Deferred taxation

Note	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Arising on:				
Building appurtenances and tenant installations	127 641	124 284	127 641	124 284
Taxation loss	(74 843)	(78 122)	(74 843)	(78 122)
Income received in advance		(16)		
Other temporary differences		(399)		
Balance at end of year	52 798	45 747	52 798	46 162
Reconciliation of the movement in the deferred taxation liability				
Opening balance – 1 July	45 747	30 010	46 162	30 265
Building appurtenances and tenant installations	3 358	14 171	3 358	14 171
Prior year deferred taxation adjustment		(1 988)		(1 988)
Income received in advance	16	10 948		10 964
Utilisation of taxation loss and other temporary differences	3 677	(7 394)	3 278	(7 250)
Balance at end of year	52 798	45 747	52 798	46 162
<i>Deferred taxation on temporary differences was calculated at 28% (June 2014: 28%)</i>				
21. Trade and other payables				
Trade creditors and accrued expenses	216 596	148 899	198 510	146 158
Tenant deposits	51 351	91 707	51 351	84 962
Gift cards	7 317	7 969	7 317	7 969
Interest payable	49 216	56 363	49 216	55 367
Phantom share scheme liability (refer to note 26)	1 911	1 123	1 911	1 123
Debtors with credit balances	51 526	40 047	51 526	40 047
Other payables		21 578		
Balance at end of year	377 917	367 686	359 831	335 626
22. Interest received				
From positive bank balances	5 432	5 468	4 976	4 961
From loans receivable	151 912	60 177	5 352	14 717
	157 344	65 645	10 328	19 678
23. Interest paid				
Interest-bearing borrowings	511 463	498 030	429 978	458 826
Interest capitalised	(2 472)	(37 664)	(2 472)	(37 664)
	508 991	460 366	427 506	421 162

24. Net operating income

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Net operating income is stated after accounting for the following:				
Contingent rental income (turnover rental)	(50 459)	(50 503)	(50 459)	(43 396)
Depreciation	20 054	19 931	19 895	16 431
Loss on write-off of assets	82	2 468	82	2 457
Employee remuneration	118 312	109 137	89 016	81 918
Share-based payments (CUP) (refer to note 26)	6 707	1 649	6 707	1 649
Forex gains	(7 804)	(2 951)	(728)	(180)
Key management remuneration				
The following key management remuneration was paid/ provided for during the year:				
Prescribed officers other than directors:				
A	3 033	2 825	3 033	2 825
B	2 250	2 061	2 250	2 061
C	2 227	2 021	2 227	2 021
Directors' remuneration				
Independent non-executive	2 117	1 691	2 117	1 691
Ethan Dube (paid to Vunani Capital Proprietary Limited)	284	223	284	223
Lindie Engelbrecht	471	400	471	400
Gavin Tipper	490	439	490	439
Louis van der Watt (paid to Atterbury Property Holdings Limited)	235	183	235	183
Mike Lewin	284	223	284	223
Thabo Mokgatlha	353	223	353	223
Non-executive	847	644	847	644
Kevin Ellerine	252	188	252	188
Louis Norval	245	188	245	188
Stewart Shaw-Taylor	350	268	350	268
Executive	13 685	10 396	13 685	10 396
Pieter Prinsloo (CEO)	9 699	6 667	9 699	6 667
Basic salary	3 464	3 139	3 464	3 139
Pension fund contributions	141	127	141	127
Performance bonus (paid in December)	2 625	2 200	2 625	2 200
Other benefits	33	31	33	31
Incentive scheme	3 436	1 170	3 436	1 170
Laurence Cohen (FD)	3 986	3 729	3 986	3 729
Basic salary	1 958	1 798	1 958	1 798
Pension fund contributions	296	270	296	270
Performance bonus (paid in December)	1 650	1 600	1 650	1 600
Other benefits	82	61	82	61

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24. Net operating income continued

Directors' beneficial interests under the long-term employee incentive scheme (CUP)

	Pieter Prinsloo Hyprop shares	Laurence Cohen Hyprop shares
Balance 1 July 2013		
Allocated during the year	28 790	15 864
Balance at 30 June 2014	28 790	15 864
Market value of shares at 30 June 2014 (R000)	2 301	1 268
Balance 1 July 2014	28 790	15 864
Allocated during the year	31 207	16 813
Balance at 30 June 2015	59 997	32 677
Market value of shares at 30 June 2015 (R000)	7 260	3 954

25. Auditor's remuneration

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Auditor's remuneration – fees paid to external auditors for the attest function				
Audit fee – current year	1 878	1 670	1 696	1 128
	1 878	1 670	1 696	1 128
Other auditor's remuneration				
Internal audit fees	1 388	773	1 343	757
Other services	69	28	69	28
	1 457	801	1 412	785

26. Employee remuneration

26.1 Phantom share scheme

The Hyprop board recognises that a key factor in the success of the group is the retention and incentivisation of management and staff. Accordingly, a scheme was formulated to reward employees who make a meaningful and sustainable contribution to the financial performance of Hyprop by providing them with the opportunity to participate in its future growth. Senior management and staff were offered this incentive.

The incentive is directly linked to the performance of Hyprop's shares. Employees were granted "phantom" Hyprop shares at a notional strike price (the initial price (IP)). Employees receive an award equivalent to the increase in the market value of the Hyprop share over the initial price. This award is paid in four payments within 30 days after the date on which the relevant payment is calculated.

The payment is calculated as follows:

Cash bonus = $\frac{1}{4} AS \times (P - IP) - \text{relevant taxes}$

AS = allocated "phantom" shares

P = volume weighted average traded price of Hyprop shares for the 30 JSE trading days prior to the calculation date

IP = initial price

If the market price of the Hyprop share on the relevant calculation date is not greater than the initial price, no payment is made. The award is only applicable if the employee is in the employ of Hyprop on the payment date. A total of 222 222 "phantom" Hyprop shares were in issue at 30 June 2015 (2014: 473 979). The scheme will expire in 2016.

The liability for the "phantom" scheme is measured at fair value at each reporting date. Refer to note 21.

26.2 Equity-settled share-based employee remuneration

On 1 January 2014, the group implemented a long-term employee incentive scheme (the conditional unit plan (CUP)), which consists of two components – performance shares and the retention shares. Both the performance and the retention components of the scheme will be settled with Hyprop shares.

The terms and conditions of the long-term employee incentive scheme were approved at the Hyprop annual general meeting on 5 December 2013.

26.2.1 Performance shares

In terms of the CUP, fully paid awards are made on an annual basis, comprising performance shares and retention shares. The split between performance shares and retention shares is 70%:30% for all participants.

The performance conditions for the shares allocated as performance shares are as follows:

- Growth in distribution per share relative to the peer group (weighting 40%)
- Share price performance relative to the peer group (weighting 40%)
- Strategic component, which will be determined by the remuneration committee in line with the prevailing circumstance and projects at the time of the award (weighting 20%).

Each of the performance conditions will be measured over a three-year performance period. Participants must be employed until the end of the vesting period to be eligible for the award.

26.2.2 Retention shares

Retention shares vest after five years, provided the participant is still employed by the group.

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for the year ended 30 June 2015

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26. Employee remuneration continued

26.2 Equity-settled share-based employee remuneration continued

26.2.3 Reconciliation of shares allocated in terms of the CUP

	Number of performance shares	Number of retention shares
Unvested at 1 July 2013		
Granted	107 563	46 100
Forfeited		
Vested		
Unvested at 30 June 2014	107 563	46 100
Granted	110 422	47 324
Forfeited	(3 368)	(1 443)
Vested		
Unvested at 30 June 2015	214 617	91 981
	Performance shares	Retention shares
Tranche 1		
Grant date	1 January 2014	1 January 2014
Vesting period ends	31 December 2016	31 December 2018
Fair value of shares at grant date	R73,17	R73,17
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,83%	5,83%
Dividend yield	5,81%	5,81%
Tranche 2		
Grant date	1 July 2014	1 July 2014
Vesting period ends	30 June 2017	30 June 2019
Fair value of shares at grant date	78,51	78,51
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,83%	5,83%
Dividend yield	6,92%	6,92%
The executive directors were allocated the following percentages of the total shares allocated:		
	Pieter Prinsloo (CEO)	Laurence Cohen (FD)
Tranche 1		
Performance shares	19%	10%
Retention shares	19%	10%
Tranche 2		
Performance shares	20%	11%
Retention shares	20%	11%

The charge to the statement of comprehensive income for the year ended 30 June 2015 amounted to R6,7 million. As the above are equity-settled share-based payments, the accounting treatment recognises the share-based payments in profit and loss on a straight-line basis over the vesting period, with a corresponding credit to equity.

27. Taxation

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Major components of the taxation expense				
Current taxation – current year	12 353	1 896		
Current taxation – prior year	33	86		62
Deferred taxation – current year	6 637	17 725	6 637	17 885
Deferred taxation – prior year		(1 988)		(1 988)
Taxation for the year	19 023	17 719	6 637	15 959
Reconciliation of taxation charge				
Net income before taxation at 28%	1 063 608	552 807	1 075 962	509 612
REIT dividend	(369 493)		(369 493)	
Permanent differences	(675 445)	(562 173)	(705 134)	(514 721)
Prior year taxation adjustment				
Income taxation	33	86		62
Deferred taxation		(1 988)		(1 988)
Reversal of deferred taxation on investment property disposals	(9 082)		(9 082)	
Deferred taxation asset not recognised	14 384	30 166		19 280
Adjustment in respect of Hyprop Mauritius	(4 982)	(4 893)		
REIT reversal		3 714		3 714
Controlled foreign company income			14 384	
Taxation expense recognised in statements of comprehensive income	19 023	17 719	6 637	15 959
The taxation rate applied in the reconciliations was 28%.				
Permanent differences comprise the following:				
Change in fair value of:				
Investment property	(673 968)	(463 651)	(673 968)	(439 226)
Straight-line rental income accrual	(16 824)	(12 616)	(16 824)	(12 616)
Derivative instruments	(5 476)	(1 197)	(9 981)	(1 762)
Profit on disposal of assets	(6 788)	(53 413)	(6 788)	(54 524)
Gain on bargain purchase		(28 810)		
African Land restructure	24 119			
Other	3 492	(2 486)	2 427	(6 593)
Total permanent differences	(675 445)	(562 173)	(705 134)	(514 721)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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28. Dividends

		GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Dividends (2014: debenture interest)					
Total distributable income	Segmental report	1 319 619		1 319 619	
Interim dividend in respect of the six months ended December 2014		638 633		638 633	
Final dividend in respect of the six months ended 30 June 2015 – to be paid on 25 September 2015		680 986		680 986	
Total dividend per share for the year (cents)		543,0		543,0	
Interim dividend in respect of the six months ended December 2014 (cents)		262,7		262,7	
Final dividend in respect of the six months ended 30 June 2015 (cents)		280,3		280,3	

Effective from 18 August 2014 (the effective date), Hyprop converted its combined units (with a share linked to a debenture) to an all-equity capital structure. Refer to note 14 and note 17.

Reconciliation of dividends in the statements of changes in equity to interim dividend

Dividend paid	SCE*	639 529	639 034
Dividend received from treasury shares		(401)	(401)
Dividends declared by African Land to non-controlling interest		(495)	
Interim dividend		638 633	638 633

* Statements of changes in equity

29. Earnings and headline earnings

At 30 June 2015, the company had 243 256 092 shares in issue (2014: 243 256 092 combined units).

	GROUP June 2015 R000	GROUP June 2014 R000
Reconciliation – earnings to headline earnings		
Profit attributable to shareholders of the company (2014: unitholders)	3 779 576	1 948 487
Debt interest		1 147 443
Earnings	3 779 576	3 095 930
Headline earnings adjustments	(2 457 065)	(1 870 232)
Change in fair value of investment property	(2 467 113)	(1 650 419)
Loss/(profit) on disposal:		
Subsidiary	30 011	
Investment property	(24 243)	(4 460)
Associate company (Mantrablox)		(17 431)
Impairment of goodwill	4 280	7 779
Amortisation of debenture premium		(102 806)
Gain on bargain purchase (African Land)		(102 895)
Headline earnings	1 322 511	1 225 698
Total shares (2014: combined units) in issue	243 256 092	243 256 092
Weighted average shares (2014: combined units) in issue	243 256 092	243 195 790
	Cents	Cents
Earnings and headline earnings per share (2014: combined unit)		
Basic and diluted earnings per share (2014: combined unit)	1 553,7	1 273,0
Basic and diluted headline earnings per share (2014: combined unit)	543,7	504,0

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

30. Notes to the statements of cash flows

30.1 The following convention applies to figures other than adjustments:

Outflows of cash are represented by figures in brackets.

Inflows of cash are represented by figures without brackets.

	Note	GROUP Year to June 2015 R000	GROUP Year to June 2014 R000	COMPANY Year to June 2015 R000	COMPANY Year to June 2014 R000
30.2 Cash generated from operations					
Net income before taxation		3 798 599	1 974 309	3 842 722	1 820 044
Adjustments:		(2 081 065)	(400 859)	(2 124 459)	(288 944)
Change in fair value: Investment property		(2 467 113)	(1 655 897)	(2 467 113)	(1 613 720)
Listed property securities			82 266		82 266
Derivative instruments		(19 556)	(4 276)	(35 645)	(6 294)
Impairment: Intercompany loan					5 682
Investment in subsidiary				4 280	7 779
Goodwill		4 280	7 779		
(Profit)/loss on disposal: Investment property		(24 243)	(4 460)	(24 243)	(4 460)
Listed property securities			(168 869)		(168 869)
Subsidiary		30 011			
Investment in associate			(17 431)		(21 400)
Share of income from associate		(652)	(462)		
Share of loss from joint venture		17 447			
Unrealised foreign exchange gain				(728)	
Dividends received				(44 872)	(36 943)
Depreciation		20 054	19 931	19 895	16 431
Share-based payment		6 707	1 649	6 707	1 649
Interest received		(157 344)	(65 645)	(10 328)	(19 678)
Interest paid		508 991	460 366	427 506	421 162
Debenture interest paid			1 147 443		1 147 798
Gain on bargain purchase (African Land)			(102 895)		
Amortisation of debenture premium			(102 806)		(102 806)
Loss on write-off of assets		82	2 468	82	2 457
Other non-cash items		271	(20)		2
Operating profit before working capital changes		1 717 534	1 573 450	1 718 263	1 531 100
Increase in working capital		21 230	151 895	18 296	153 175
Decrease in receivables		19 620	107 013	14 762	109 463
Increase in working capital included in held for sale	13	(14 740)		(14 740)	
Increase in payables		16 350	44 882	18 274	43 712
Cash generated from operations		1 738 764	1 725 345	1 736 559	1 684 275
30.3 Debenture interest paid to unitholders					
Interest payable at beginning of year		(585 877)	(517 831)	(585 877)	(517 831)
Per statements of comprehensive income			(1 147 443)		(1 147 798)
Interest payable at end of year			585 877		585 877
		(585 877)	(1 079 397)	(585 877)	(1 079 755)

30. Notes to the statements of cash flows continued

	Note	GROUP Year to June 2015 R000	GROUP Year to June 2014 R000	COMPANY Year to June 2015 R000	COMPANY Year to June 2014 R000
30.4 Taxation paid					
Taxation payable at beginning of year		(298)	(5 923)		
Per statements of comprehensive income		(12 386)	(1 982)		(62)
Taxation payable at end of year		10 132	298		
		(2 552)	(7 607)		(62)
30.5 Dividends received					
Dividends receivable at beginning of year				10 445	
Per statement of comprehensive income				44 872	36 943
Dividends receivable at end of year				(36 164)	(10 445)
				19 153	26 498
30.6 Proceeds on disposal of held for sale assets					
Disposals: Investment property	13	766 326		766 326	
Building appurtenances and tenant installations	13	1 860		1 860	
Proceeds on sale of Mantrablox	13		139 000		139 000
Amount due included in loans receivable (Stoneridge)	10	(45 904)		(45 904)	
Profit on disposal of investment property		24 243		24 243	
		746 525	139 000	746 525	139 000

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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31. Commitments

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
31.1 Capital commitments				
Approved and committed	135 442	334 470	135 442	334 470
Approved but not yet committed	145 493	80 895	145 493	67 534
	280 935	415 365	280 935	402 004
Capital commitments approved and committed comprise the following:				
Development costs				
– Clearwater	37 270	7 526	37 270	7 526
– Somerset Mall	36 627		36 627	
– Hyde Park	28 062	20 565	28 062	20 565
– Rosebank Mall	10 735	287 502	10 735	287 502
– Woodlands Boulevard	7 530		7 530	
– Canal Walk	7 288	13 073	7 288	13 073
– Mall Offices	5 522		5 522	
– The Glen	1 716	1 748	1 716	1 748
– Atterbury Value Mart	317	4 056	317	4 056
– CapeGate Regional	251		251	
– Willowbridge	101		101	
– Somerset Value Mart	23		23	
	135 442	334 470	135 442	334 470
Capital commitments approved but not yet committed	145 493	80 895	145 493	67 534

The above expenditure will be financed out of available cash resources, banking facilities and debt capital market funding.

31.2 Operating expense commitments

Hyprop has entered into various service contracts for the cleaning, upkeep and general maintenance of its investment property portfolio.

Operating expense commitments payable to service providers in future years have been classified as follows:

– Short-term contracts (up to one year)	1 534	1 730	1 534	1 257
– Medium-term contracts (greater than one year and up to five years)	Nil	Nil	Nil	Nil

Contracts which can be terminated on one month's notice have been included for one month only.

32. Minimum lease payments receivable

Minimum lease payments comprise contractual rental income and operating expense recoveries from investment property.

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
The minimum lease payments receivable from tenants have been classified into the following categories:				
– Short term (up to one year)	1 543 812	1 490 846	1 543 812	1 467 087
– Medium term (greater than one year and up to five years)	3 674 989	3 548 906	3 674 989	3 437 303
– Long term (greater than five years)	1 184 463	1 143 826	1 184 463	1 134 748

33. Retirement benefits

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
All eligible employees are members of a pension fund which is administered by Evolution Group. The retirement funding and risk-related benefits are market-related. All benefits from the pension fund accrue to the members.				
The pension fund complies with all current legislation. The group and company have no commitments for post-retirement medical aid benefits.				
Contributions to the pension fund for group risk benefits are recognised as an expense	9 246	8 351	8 692	8 049

34. Business combinations and transactions with subsidiary**34.1 Subsidiary acquired**

Hyprop acquired an 87% interest in African Land on 5 December 2013 for R768 million. Pre-acquisition dividend received amounted to R10 million. Effective 1 July 2014, Hyprop's interest in African Land increased to 100%. Refer to note 4.1.

The acquisition was in line with Hyprop's strategy to expand its investments in prime-quality shopping centres in sub-Saharan Africa (excluding SA).

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	June 2014 Consideration transferred
African Land	Acquiring income producing investment property in sub-Saharan Africa (excluding SA)	5 December 2013	87%	758 264

34.2 Assets acquired and liabilities recognised at the date of acquisition⁽ⁱ⁾**Non-current assets**

Investment property (refer to note 2.2) 1 557 394

Building appurtenances and tenant installations (refer to note 3.4) 35 447

Current assets

Trade and other receivables 4 149

Cash and cash equivalents 12 012

Non-current liabilities

Long-term loans (601 008)

Current liabilities

Trade and other payables (18 295)

989 699

⁽ⁱ⁾ All amounts reflect 100% of acquisition values for African Land

Trade receivables acquired had a fair value and gross contractual amount of R8 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected was R4 million, resulting in net trade receivables of R4 million.

34.3 Non-controlling interests

The non-controlling interest recognised at the acquisition date was measured by reference to the agreements concluded with minority shareholders and amounted to 13% 128 540

The non-controlling interest is recognised at its proportionate interest in the subsidiary acquired.

NOTES TO THE FINANCIAL STATEMENTS continued

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FINANCIAL STATEMENTS

34. Business combinations and transactions with subsidiary continued

June 2014
Consideration
transferred

34.4 Gain on bargain purchase

Consideration transferred	758 264
Less: Fair value of identifiable net assets acquired	(861 159)
Gain on bargain purchase	(102 895)

The gain on bargain purchase amounting to R102,9 million relates to Hyprop's acquisition of African Land and was calculated in terms of IFRS 3 *Business Combinations*. The gain represents the amount by which the fair value of net assets acquired exceeds the consideration paid and has no impact on distributable earnings. The initial accounting for the business combination at 31 December 2013 was based on provisional amounts which resulted in a reported gain on bargain purchase of R64,8 million. The gain on bargain purchase at 30 June 2014 was adjusted retrospectively in accordance with IFRS 3.45.

The gain on bargain purchase arose as a consequence of the effective purchase price for Manda Hill (Lusaka, Zambia) being lower than the most recent fair valuation of the property.

34.5 Impact of acquisition on results of the group for June 2014

Revenue for the 2014 year includes R78 million attributable to revenue from African Land.

Included in profit for the 2014 year is R62,3 million of profit from African Land.

Had the business combination been effected on 1 July 2013, the total Hyprop consolidated revenue would have been R2,6 billion and the total Hyprop consolidated profit would have been R1,9 billion.

34.6 Net cash outflow on acquisition of African Land

Consideration transferred	758 264
Cash	747 769
Hyprop units issued	10 495
Less: Cash and cash equivalents acquired	(12 012)
Less: Hyprop units issued	(10 495)
Net cash outflow	735 757

35. Related parties and related-party transactions

Related parties with whom the group transacted with during the period were:

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
AttAfrica				
Co-investor with Hyprop				
Loan receivable	1 739 053	812 459		
Interest received	103 971	45 460		
Relationship: co-investor and joint venture				
Manda Hill Mauritius				
Loan receivable	519 072			
Interest received	20 031			
Relationship: joint venture				
Hyprop Investments Employee Incentive Scheme				
Dividend received			753	365
Loan receivable			382	
Relationship: subsidiary				
African Land				
Dividend received			14 941	30 308
Dividend received (pre-acquisition)				10 137
Loan receivable			3 318	
Loan payable			761 128	
Relationship: subsidiary				
Hyprop Mauritius				
Loan receivable			9 993	188
Dividend received			27 678	4 770
Relationship: subsidiary				
Word4Word				
Dividend received			1 500	1 500
Amounts included in trade and other receivables			254	
Amounts included in trade and other payables			42	
Amounts included in other operating expenses			10 838	12 738
Relationship: subsidiary				
Mantrablox				
Interest received		4 540		4 540
Relationship: associate				
Attacq				
Loan receivable		341		341
Interest received		5 167		5 167
Dividend paid by African Land		4 344		
Sale of Mantrablox		139 000		139 000
Relationship in 2014: directorial and shareholder of African Land				

All related-party transactions were made on terms equivalent to those in similar arm's-length transactions.

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FINANCIAL STATEMENTS

36. Financial risk management

The group's financial instruments consist mainly of deposits with banks, loans from banks, loan and trade receivables, interest rate swaps, payables and foreign currency investments. In respect of the above-mentioned financial instruments, book values approximate fair value. Exposure to interest rate, credit, liquidity, market, price and currency risks occur in the normal course of business.

Interest rate risk

The group is exposed to interest rate risk due to material interest-bearing borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swaps.

Interest rate sensitivity analysis

The sensitivity analysis includes the exposure to interest rates for both derivatives and non-derivative instruments at the end of the financial year.

For floating rate liabilities it is assumed that the liability outstanding at the end of the year was outstanding for the whole year. A 150 basis point increase or decrease in interest rates was used in the analysis.

If interest rates had increased/decreased by 150 basis points and all other variables were held constant, the group's profit for the year ended 30 June 2015 would increase/decrease by R5,6 million (based on year-end floating debt) and the company's profit for the year ended 30 June 2015 would increase/decrease by R2,2 million (based on year-end floating debt).

The group's sensitivity to interest rates has decreased during the current year due to an increase in the proportion of fixed debt to 95% of total debt (2014: 71%).

Fixed rate agreements and interest swaps

Refer to note 18 and 19 for further detail in respect of fixed rate agreements and interest rate swaps.

The group's exposure to interest rate risk and interest rates on financial instruments at the reporting date was as follows:

Liquidity and interest rate risk

Group	Note	Weighted average effective interest rate %	One year or less R000	One to five years R000	More than five years R000	Total R000
Year ended 30 June 2015						
Financial assets						
Derivative instruments	19			53 132		53 132
Loans receivable	10		53 757	2 258 125		2 311 882
Receivables	11		87 152			87 152
Cash and cash equivalents	12		83 841			83 841
Total financial assets			224 750	2 311 257		2 536 007
Financial liabilities						
Borrowings	18	7,12	772 000	5 919 909		6 691 909
Payables	21		377 917			377 917
Derivative instruments	19		2 629	40 123		42 752
Total financial liabilities			1 152 546	5 960 032		7 112 578

36. Financial risk management continued

Company	Note	Weighted average effective interest rate %	One year or less R000	One to five years R000	More than five years R000	Total R000
Year ended 30 June 2015						
Financial assets						
Derivative instruments	19			53 132		53 132
Loans receivable	10		67 450			67 450
Receivables	11		78 311			78 311
Cash and cash equivalents	12		62 970			62 970
Total financial assets			208 731	53 132		261 863
Financial liabilities						
Borrowings	18	8,43	1 533 128	3 726 838		5 259 966
Payables	21		359 831			359 831
Derivative instruments	19		2 629	21 691		24 320
Total financial liabilities			1 895 588	3 748 529		5 644 117

Group	Note	Weighted average effective interest rate %	One year or less R000	One to five years R000	More than five years R000	Total R000
Year ended 30 June 2014						
Financial assets						
Derivative instruments	19			32 978		32 978
Loans receivable	10		47 486	812 459		859 945
Receivables	11		103 686			103 686
Cash and cash equivalents	12		77 353			77 353
Total financial assets			228 525	845 437		1 073 962
Financial liabilities						
Debenture capital ⁽ⁱ⁾		Variable			5 719 119	5 719 119
Borrowings	18	7,50	2 013 031	5 185 822		7 198 853
Payables	21		367 686			367 686
Combined shareholders for distribution		Variable	585 877			585 877
Derivative instruments	19			41 829		41 829
Total financial liabilities			2 966 594	5 227 651	5 719 119	13 913 364

⁽ⁱ⁾ Transferred to stated capital (converted to equity) in August 2014. Refer to note 14.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

36. Financial risk management continued

Company	Note	Weighted average effective interest rate %	One year or less R000	One to five years R000	More than five years R000	Total R000
Year ended 30 June 2014						
Financial assets						
Derivative instruments	19			32 978		32 978
Loans receivable	10		47 674			47 674
Receivables	11		102 629			102 629
Cash and cash equivalents	12		61 257			61 257
Total financial assets			211 560	32 978		244 538
Financial liabilities						
Debenture capital ⁽ⁱ⁾		Variable			5 730 187	5 730 187
Interest-bearing borrowings	18	8,20	2 013 031	3 792 566		5 805 597
Payables	21		335 626			335 626
Combined shareholders for distribution		Variable	585 877			585 877
Derivative instruments	19			39 811		39 811
Total financial liabilities			2 934 534	3 832 377	5 730 187	12 497 098

⁽ⁱ⁾ Transferred to stated capital (converted to equity) in August 2014

Interest rates are monitored and appropriate steps taken to ensure that Hyprop's exposure to interest rate fluctuations is limited. Interest rates have been fixed for periods ranging from 2016 to 2024 with an average maturity of 5,2 years. The average maturity of the fixed interest rate agreements and interest rate swaps is disclosed in note 18 and 19. The average rate of interest at year-end (applicable to total debt) was 7,1% (2014: 7,5%). The primary reason for the reduction in the average interest rate for the year was due to an increase in the proportion that US Dollar funding comprises of total debt.

Credit risk

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. Credit risk is limited to the carrying amount of financial assets at the reporting date.

Receivables

Trade receivables consist of a large, widespread tenant base. The financial position of tenants is monitored on an ongoing basis. An allowance is made for all specific doubtful debts at year-end. Management does not consider there to be any material credit risk exposure that is not already covered by a doubtful debt allowance. The carrying value of receivables is considered to be a reasonable approximation of fair value.

36. Financial risk management continued**Cash and cash equivalents**

It is group policy to deposit short-term cash investments with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its financial commitments. This risk is minimised by holding cash balances and by a floating loan facility. In addition, the company regularly monitors forecast cash flows and considers the matching of maturity profiles of financial assets and liabilities.

Foreign exchange risk

The group operates beyond South African borders and is exposed to foreign exchange risk arising from exposure to the US Dollar.

Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. Currently this exposure arises through Hyprop's 37,5% interest in AttAfrica and its 50% interest in Manda Hill Mauritius, via its wholly owned subsidiary, Hyprop Mauritius. The group hedges the majority of interest rates in respect of US Dollar funding raised to finance investments in sub-Saharan Africa (excluding SA). US Dollar funding is currently 90% hedged. Income earned from foreign operations is currently not hedged.

Foreign currency exposure at the end of the year

	June 2015 R000	June 2014 R000
Non-current assets		
Loan to AttAfrica and Manda Hill Mauritius USD183 926 879 (2014: USD76 803 544)	2 258 125	812 459
Current assets		
Receivables USD2 948 (2014: USD2 384)	36	25
Cash and cash equivalents USD754 (2014: USD1 160)	9	12
Liabilities		
Interest-bearing debt USD178 628 099 (2014: USD74 680 258)	2 193 071	789 998
Derivative instrument USD1 501 278 (2014: 190 837)	18 432	2 019
Taxation USD87 777 (2014: nil)	1 078	
Payables USD687 232 (2014: USD99 388)	8 437	3 336
Exchange rates used for conversion of foreign amounts were:		
USD	12,28	10,58

If the R/USD exchange rate had decreased/increased by 1% for the year ended 30 June 2015 (2014: 1%), the group's total consolidated profit for the year ended 30 June 2015 would have increased/decreased by R0,4 million (2014: R0,5 million).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

37. Capital management

The company's borrowings are limited to 60% (2014: 60%) of the directors' bona fide valuation of the consolidated property portfolio, including listed property securities (if applicable). Following the conversion to a REIT on 1 July 2013, the maximum permitted gearing ratio per the company's Memorandum of Incorporation was aligned to the 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 shareholders and other stakeholders over the long term.

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

	GROUP June 2015 R000	GROUP June 2014 R000	COMPANY June 2015 R000	COMPANY June 2014 R000
Value of property portfolio	28 565 526	25 819 264	26 226 405	24 174 738
60% thereof	17 139 316	15 491 559	15 735 843	14 504 843
Total gross borrowings (long term and short term)	6 691 909	7 198 853	5 259 966	5 805 597
Unutilised borrowing capacity	10 447 407	8 292 706	10 475 877	8 699 246

38. 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

	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
Assets					
30 June 2015					
Derivative instruments ⁽¹⁾		53 132		53 132	
Loans receivable	2 311 882				
Receivables	87 152				
Cash and cash equivalents	83 841				
30 June 2014					
Derivative instruments ⁽¹⁾		32 978		32 978	
Loans receivable	859 945				
Receivables	103 686				
Cash and cash equivalents	77 353				

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

38. Fair value hierarchy and financial instruments by category continuedGroup continued

	Liabilities measured at amortised cost R000	Liabilities designated at fair value through profit and loss R000	Recurring fair value measurements		
			Level 1 R000	Level 2 R000	Level 3 R000
Liabilities					
30 June 2015					
Loans – non-current	5 919 909				
– current	772 000				
Derivative instruments ⁽ⁱ⁾		42 752		42 752	
Payables	377 917				
30 June 2014					
Debentures and debenture premium	5 719 119				
Loans – non-current	5 185 822				
– current	2 013 031				
Derivative instruments ⁽ⁱ⁾		41 829		41 829	
Payables	367 686				
Company					
	Loans and receivables at amortised cost R000	Assets designated at fair value through profit and loss R000	Recurring fair value measurements		
			Level 1 R000	Level 2 R000	Level 3 R000
Assets					
30 June 2015					
Derivative instruments ⁽ⁱ⁾		53 132		53 132	
Loans receivable	67 450				
Receivables	78 311				
Cash and cash equivalents	62 970				
30 June 2014					
Derivative instruments ⁽ⁱ⁾		32 978		32 978	
Loans receivable	47 674				
Receivables	102 629				
Cash and cash equivalents	61 257				

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

38. Fair value hierarchy and financial instruments by category *continued*

Company continued

Liabilities	Liabilities measured at amortised cost R000	Liabilities designated at fair value through profit and loss R000	Recurring fair value measurements		
			Level 1 R000	Level 2 R000	Level 3 R000
30 June 2015					
Loans – non-current	3 726 838				
– current	1 533 128				
Derivative instruments ⁽ⁱ⁾		24 320		24 320	
Payables	359 831				
30 June 2014					
Debentures and debenture premium	5 730 187				
Loans – non-current	3 792 566				
– current	2 013 031				
Derivative instruments ⁽ⁱ⁾		39 811		39 811	
Payables	335 626				

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

The directors consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values. There have been no changes in valuation methodologies during the year.

There have been no significant transfers between level 1, level 2 and level 3 during the year.

The fair value gain (in respect of investment property and all other financial assets) included in profit and loss is R2,4 billion (2014: R1,5 billion) for the group and R2,4 billion (2014: R1,5 billion) for the company.

SEGMENTAL ANALYSIS

for the year ended 30 June 2015

FINANCIAL STATEMENTS

		PROPERTY PORTFOLIO		
Business segment	Location	Rentable area m ²	Total value R000	Value attributable to Hyprop R000
30 June 2015				
Canal Walk	Cape Town	156 689	8 416 000	6 732 800
Super regional		156 689	8 416 000	6 732 800
Clearwater	Johannesburg	86 081	3 944 000	3 944 000
The Glen	Johannesburg	79 665	3 100 000	2 329 830
Somerset Mall	Cape Town	66 354	2 450 000	2 450 000
Woodlands Boulevard	Pretoria	71 659	2 296 000	2 296 000
Rosebank Mall	Johannesburg	80 712	2 495 000	2 495 000
CapeGate Regional	Cape Town	63 700	1 534 000	1 534 000
Large regional		448 171	15 819 000	15 048 830
Hyde Park	Johannesburg	38 117	2 009 000	2 009 000
Regional		38 117	2 009 000	2 009 000
Atterbury Value Mart	Pretoria	47 785	1 112 000	1 112 000
Value centres		47 785	1 112 000	1 112 000
Shopping centres		690 762	27 356 000	24 902 630
Standalone offices	Johannesburg	4 510	98 000	98 000
Held for sale ⁽¹⁾		84 800	1 225 775	1 225 775
Sold during 2015				
Investment property		780 072	28 679 775	26 226 405
Manda Hill Mauritius				70 893
African Land				10 103
Hyprop Mauritius				2 258 125
Hyprop Investment Employee Incentive Scheme				
Word4Word				
Fund management				
Net interest				
Straight-line rental income accrual				
		780 072	28 679 775	28 565 526
Reconciliation to statement of financial position				
Centre management assets				2 274
Held for sale ⁽³⁾				9 287
Investment in associate				827
Derivative instruments				53 132
Other current assets				224 750
				28 855 796
Reconciliation to statement of comprehensive income				
A reconciliation of distributable earnings to net income after taxation is as follows:				
Distributable earnings				
Change in fair value of investment property				
Change in fair value of derivatives				
Profit on disposal of investment property				
Loss on disposal of investments				
Impairment of goodwill				
Net income – Hyprop Mauritius				
– African Land				
– South African subsidiaries				
– Joint ventures				
– Associates				
Dividends received – Hyprop Mauritius				
– Word4Word				
Capital items not included for distribution purposes				
Taxation				
Net income after taxation				
Shares in issue for distribution per share (excludes treasury shares)				
Refer to note 14				
Distribution per share (based on distributable earnings)				

Note

⁽¹⁾ Willowbridge, Somerset Value Mart, Lakefield Office Park, Glenwood Office Park and Glenfield Office Park⁽²⁾ Based on 2015 net property income⁽³⁾ Working capital held for sale

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

Revenue R000	Distributable earnings R000	Historic yield ⁽²⁾ %	Receivables R000	Payables R000	Loans R000
579 188	412 308	6,8	11 044	61 496	
579 188	412 308		11 044	61 496	
358 011	245 039	7,1	11 479	30 815	
218 999	153 796	7,5	6 603	22 941	
231 100	159 387	7,1	6 595	25 011	
231 701	152 821	7,0	5 828	6 311	
234 353	149 665	8,1	5 734	45 852	
167 562	96 472	6,9	10 285	18 679	
1 441 726	957 180		46 524	149 609	
199 074	130 900	7,4	9 666	33 349	
199 074	130 900		9 666	33 349	
120 286	89 544	8,1	5 469	10 338	
120 286	89 544		5 469	10 338	
2 340 274	1 589 932		72 703	254 792	
10 563	6 209	6,9	428	971	
177 093	104 758		6 504	21 567	
89 212	51 288				
2 617 142	1 752 187		79 635	277 330	
	42 368		36	1 762	
				7 360	
				27	
25 807	4 243		8 806	8 937	
	(62 001)		5 179	104 068	6 691 909
	(417 178)				
60 085					
2 703 034	1 319 619		93 656	399 484	6 691 909
			(6 504)	(21 567)	
2 703 034	1 319 619		87 152	377 917	6 691 909
	1 319 619				
	2 467 113				
	19 556				
	24 243				
	(30 011)				
	(4 280)				
	51 371				
	8 565				
	3 707				
	(17 447)				
	652				
	(42 368)				
	(1 500)				
	(621)				
	(19 023)				
	3 779 576				
	242 990 433				
	543				

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

Business segment	Location	PROPERTY PORTFOLIO		
		Rentable area m ²	Total value R000	Value attributable to Hyprop R000
30 June 2014				
Canal Walk	Cape Town	157 031	7 580 000	6 064 000
Super regional		157 031	7 580 000	6 064 000
Clearwater	Johannesburg	86 028	3 473 000	3 473 000
The Glen	Johannesburg	76 849	2 740 000	2 059 269
Woodlands Boulevard	Pretoria	71 617	2 196 000	2 196 000
CapeGate Regional	Cape Town	63 699	1 400 000	1 400 000
Somerset Mall	Cape Town	66 831	2 252 000	2 252 000
Large regional		365 024	12 061 000	11 380 269
Hyde Park	Johannesburg	38 345	1 769 000	1 769 000
Regional		38 345	1 769 000	1 769 000
Atterbury Value Mart	Pretoria	47 786	1 105 000	1 105 000
Somerset Value Mart	Cape Town	12 386	185 000	185 000
Value centres		60 172	1 290 000	1 290 000
Shopping centres		620 572	22 700 000	20 503 269
Standalone offices	Johannesburg	4 506	90 000	90 000
Development property ⁽¹⁾	Johannesburg		1 849 000	1 849 000
Held for sale ⁽²⁾		156 061	1 779 000	1 731 000
Manda Hil (African Land)	Lusaka, Zambia	44 000	1 618 506	1 408 262
Investment property		781 139	28 036 506	25 581 531
Listed property securities				
AttAfrica (Hyprop Mauritius)			812 459	812 459
Word4Word				
Fund management				
Net interest				
Straight-line rental income accrual				
		781 139	28 848 965	26 393 990
Reconciliation to statement of financial position				
Held for sale ⁽⁴⁾				20 601
Other non-current assets				39 328
Other current assets				228 525
African Land ⁽⁵⁾				235 974
Word4Word				289
				26 918 707
Reconciliation to statement of comprehensive income				
A reconciliation of distributable earnings to net income after taxation is as follows:				
Distributable earnings				
Debenture interest				
Change in fair value – Investment property				
– Derivatives				
– Listed property securities				
Profit on disposal – Investment property				
– Associate company (Mantrablox)				
– Listed property securities				
Gain on bargain purchase (African Land)				
Amortisation of debenture premium				
Impairment of goodwill				
Net income – Hyprop Mauritius				
– African Land (Manda Hill Shopping Centre)				
Dividends received – Hyprop Mauritius				
– African Land (Manda Hill Shopping Centre)				
Capital items not included for distribution purposes				
Deferred taxation (listed property securities and other)				
Net income before taxation				
Units in issue for distribution per unit (excluding treasury shares). Refer to note 14				
Distribution per unit (based on distributable earnings)				

Note

⁽¹⁾ Rosebank Mall and Mall Offices – transferred to development property from September 2012⁽²⁾ Willowbridge, CapeGate Lifestyle, Stoneridge, Lakefield Office Park, Glenwood Office Park and Glenfield Office Park⁽³⁾ Based on 2014 net property income⁽⁴⁾ Other assets and liabilities held for sale⁽⁵⁾ Building appurtenances, tenant installations and non-controlling interest of African Land

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

Revenue R000	Distributable earnings R000	Historic yield ⁽³⁾ %	Receivables R000	Payables R000	Loans R000
545 252	379 254	6,7	12 923	52 340	
545 252	379 254		12 923	52 340	
336 499	224 585	7,0	15 400	54 063	
214 218	143 198	7,7	2 102	22 982	
214 842	142 336	7,5	24 709	41 845	
157 166	91 674	7,4	10 653	26 485	
166 624	116 017		6 923	16 803	
1 089 349	717 810		59 787	162 178	
179 905	120 000	7,7	8 986	35 453	
179 905	120 000		8 986	35 453	
112 551	83 714	8,5	6 028	22 836	
22 692	14 466	7,8	1 284	5 809	
135 243	98 180		7 312	28 645	
1 949 749	1 315 244		89 008	278 616	
10 039	5 070	6,2	472	992	
121 808	63 302		9 136	23 362	
257 902	146 084		17 646	53 755	
77 953	30 308		(1 987)	22 404	
2 417 451	1 560 008		114 275	379 129	
37 265	37 265				
	4 770		25	3 336	
15 008	3 180		3 020	5 898	
	(55 139)		4 012	33 078	7 198 853
	(401 484)				
45 055					
2 514 779	1 148 600		121 332	421 441	7 198 853
			(17 646)	(53 755)	
2 514 779	1 148 600		103 686	367 686	7 198 853
	1 148 600				
	(1 147 443)				
	1 650 419				
	4 276				
	(82 266)				
	4 460				
	17 431				
	168 869				
	102 895				
	102 806				
	(7 779)				
	20 929				
	17 590				
	(4 770)				
	(30 308)				
	(1 325)				
	(15 897)				
	1 948 487				
	243 102 433				
	472				

SHAREHOLDER ANALYSIS

at 30 June 2015

SHAREHOLDER INFORMATION

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	5 831	52,39	2 744 396	1,13
1 001 – 10 000 shares	4 343	39,02	13 118 389	5,39
10 001 – 100 000 shares	733	6,59	22 150 798	9,11
100 001 – 1 000 000 shares	176	1,58	53 972 456	22,19
1 000 001 shares and over	48	0,42	151 270 053	62,18
Total	11 131	100,00	243 256 092	100,00

Distribution of shareholdings	Number of shareholders	%	Number of shares	%
Banks	116	1,04	45 685 633	18,78
Close corporations	96	0,86	431 572	0,18
Endowment funds	197	1,77	2 243 131	0,92
Individuals	7 500	67,39	13 701 447	5,63
Insurance companies	62	0,56	12 583 628	5,17
Investment companies	29	0,26	1 946 617	0,80
Medical schemes	19	0,17	392 469	0,16
Mutual funds	261	2,34	75 520 349	31,05
Other corporations	58	0,52	90 406	0,04
Own holdings	1	0,01	153 659	0,06
Private companies	301	2,70	8 216 132	3,38
Public companies	8	0,07	4 865 738	2,00
Retirement funds	230	2,07	64 978 815	26,71
Trusts	2 253	20,24	12 446 496	5,12
Total	11 131	100,00	243 256 092	100,00

Public/non-public shareholdings	Number of shareholders	%	Number of shares	%
Non-public shareholders	9	0,08	37 841 694	15,56
Directors of the company	7	0,06	4 033 369	1,66
Strategic holdings (more than 10%)	2	0,02	33 808 325	13,90
Public shareholders	11 122	99,92	205 414 398	84,44
Total	11 131	100,00	243 256 092	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Government Employees Pension Fund	33 808 325	13,90
Stanlib	13 005 869	5,35
Total	46 814 194	19,25

SHAREHOLDERS' DIARY

Financial year-end	30 June
Publication of financial results	1 September 2015
Annual general meeting	30 November 2015
Integrated report available to shareholders	October 2015
Publication of interim report	March 2016

DISTRIBUTION DETAILS

	2015 (cents per share)	2014 (cents per combined unit)
Six months ended:		
30 June	280,3	241,0
31 December	262,7	231,0
	543,0	472,0

ADMINISTRATION

Registered office and business address

Registration number: 1987/005284/06
2nd Floor, Cradock Heights, 21 Cradock Avenue, Rosebank, 2196
PO Box 52509, Saxonwold, 2132
Tel: +27 11 447 0090
Fax: +27 11 447 0092
Website: www.hyprop.co.za

Corporate adviser and sponsor

Java Capital
2nd Floor, 6A Sandown Valley Crescent,
Sandton, 2196, JHB

Company secretary

CIS Company Secretaries Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Transfer secretaries

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

Independent auditors

Grant Thornton
(Member firm Grant Thornton International)
@GrantThornton
Wanderers Office Park
52 Corlett Drive
Illovo
2196



PROPERTY INVESTMENT EXCELLENCE

2nd Floor
21 Cradock Avenue
Cradock Heights
Rosebank 2196