

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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.

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for the year ended 30 June 2015

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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).