

HYPROP

INVESTMENTS LIMITED

Integrated annual report and group annual financial statements

for the year ended 30 June 2016

PROPERTY INVESTMENT EXCELLENCE

ABOUT THIS REPORT

CONTENTS

About this report IFC

Group overview
Group profile 4
Strategic intent 5
Investment proposition 5
Performance highlights 6
Material focus areas 9
Hyprop's business structure 10
Management structure 11

Leadership review
Chairman's report 14
Chief executive officer's report 16
Financial director's report 20
Five-year review 24
Value added statement 25

Value creation overview
Hyprop's business model 28
Stakeholder engagement 30
Risk management 32

Portfolio review
The market in which we operate 42
Property portfolio – South Africa 44
Property portfolio – sub-Saharan Africa 52
Property portfolio – South-Eastern Europe 54
Hyprop's history 55

Sustainability review
Social and ethics committee report 58
Natural capital: environmental impact 59
Human capital: employee development 63
Social and relationship capital 67
Intellectual capital 69

Governance review
Board of directors 72
Corporate governance 74
King III application (chapter 2) 78

Remuneration review
Remuneration report 84

Group annual financial statements
Approval of the group annual financial statements 93
Declaration of company secretary 93
Report of the audit committee 94
Directors' report 95
Independent auditor's report 97
Group annual financial statements 98
Notes to the financial statements 102
Segment analysis 152

Shareholder information
Shareholder analysis 156
Shareholders' diary IBC
Distribution details IBC
Administration IBC

Separate booklet
Notice of annual general meeting and proxy

Cover: Rosebank Mall, Johannesburg, Gauteng

This integrated annual report covers the activities of Hyprop Investments Limited (Hyprop) for the financial year ended 30 June 2016, and follows a similar report for the year ended 30 June 2015.

Hyprop provides a broad view of the company's strategy and performance in the integrated annual report, with additional information available online, to enable stakeholders to assess our ability to create and sustain value over the short, medium and long term. This report identifies and explains the material economic, social, governance and environmental issues facing the group and their impact. We regard this as a valuable opportunity to connect with our stakeholder groups and to respond to matters raised.

Scope and boundary

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

Material changes to the size, structure or ownership of the group during the year included:

- The acquisition of a 75% interest in Ikeja City Mall (Nigeria), and a 60% interest in two South-Eastern European malls, Delta City Belgrade (Serbia) and Delta City Podgorica (Montenegro)
- The sale of non-core assets, Somerset Value Mart and Glenfield Office Park (post year-end).

Reporting principles and integrated reporting

Hyprop's sustainable value creation is linked to our approach to ethical leadership and how we employ our six capitals (financial, operational/manufactured, intellectual, human, social and relationship, and natural). This integrated annual report is a holistic presentation of the group's performance and we believe it fairly reflects Hyprop's commitment to value creation, sustainability, corporate citizenship and integrated thinking.

We aim to continually improve our integrated reporting. We are embedding the guiding principles and concepts of the International Integrated Reporting Council's (IIRC) framework. Where practical, we have considered and applied guidelines from King III and the Global Reporting Initiative (GRI G4), and incorporated feedback from our stakeholders.

The group 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 Listings Requirements and the South African Companies Act 2008. Accounting policies applied in preparing these financial statements are consistent with those applied in the prior period.

In this reporting period, Hyprop compiled its third submissions to the Carbon Disclosure Project (CDP), a voluntary and comprehensive international benchmark on environmental reporting and carbon disclosure, and to the Global Real Estate Sustainability Benchmark (GRESB). These submissions underscore our commitment to both responsible citizenship and best practice in this area.



Clearwater Mall, Johannesburg, Gauteng

Materiality

The board has considered matters viewed as material to the business of Hyprop and its stakeholders, and addressed issues that:

- 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, KPMG, have audited the group financial statements for the year ended 30 June 2016. Their unqualified audit report is on page 97. The scope of the audit was limited to information in the group financial statements on pages 98 to 154. 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 annual report 2016. 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 annual report.

Pieter Prinsloo
Chief executive officer

Laurence Cohen
Financial director

Lindie Engelbrecht
Audit committee chairman

FEEDBACK AND CONTACT POINT

We welcome constructive feedback as it enhances the reporting processes. Please direct this to:
Viki Jane Watson (investor relations manager), +27 11 447 0090 or investorrelations@hyprop.co.za

More information can be found elsewhere in the report

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

Forward-looking statement

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect our expectations as at 30 June 2016. 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.

GROUP OVERVIEW





Rosebank Mall, Johannesburg, Gauteng

GROUP PROFILE



Hyde Park Corner, Johannesburg, Gauteng

Hyprop, Africa's leading specialist shopping centre Real Estate Investment Trust (REIT), operates a portfolio of shopping centres in major metropolitan areas across South Africa, sub-Saharan Africa and, more recently, South-Eastern Europe.

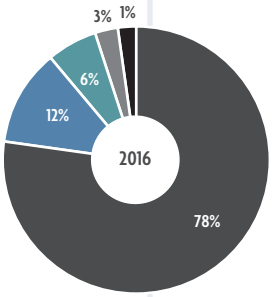
Hyprop's strategy is to own high-quality shopping centres in emerging markets, where such assets can be acquired or developed at attractive yields. Hyprop's shopping centres dominate in terms of average size, which attracts new concept and flagship stores to make our centres the preferred locations for local and international brands. The company structure provides a sound foundation for the execution of our strategy, with capable and experienced teams and a hands-on approach enabling us to effectively manage our assets to achieve ongoing income and capital growth.

The shopping centre portfolio in South Africa includes 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 sub-Saharan Africa portfolio includes interests in Manda Hill in Lusaka, Zambia; Accra Mall, Achimota Mall and West Hills Mall (all in Accra, Ghana); and Ikeja City Mall in Lagos, Nigeria. Construction is under way at Kumasi City Mall in Kumasi, Ghana, due for completion in April 2017.

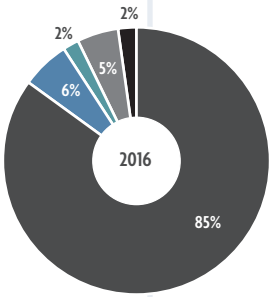
Earlier this year, Hyprop expanded into South-Eastern Europe by acquiring a 60% interest in Delta City Belgrade, Serbia, and Delta City Podgorica, Montenegro.

INVESTMENT PROFILE



INVESTMENTS

- Core South African portfolio (R26,5 billion)
- Sub-Saharan Africa (excluding SA) (R4,2 billion)
- South-Eastern Europe (R2,0 billion)
- Held-for-sale (R864 million)
- Sold* (R365 million)



DISTRIBUTABLE INCOME

- Core South African portfolio (R1,3 billion)
- Sub-Saharan Africa (excluding SA) (R84 million)
- South-Eastern Europe (R32 million)
- Held-for-sale (R79 million)
- Sold* (R33 million)

**Post year-end*

STRATEGIC INTENT

Our vision

Hyprop's goal is to be a leading specialist shopping centre REIT in emerging markets, offering shareholders access to income and capital growth through a portfolio of premium shopping centres in a transparent, sustainable investment vehicle.

Our mission

- To be the partner of choice for tenants, shoppers, employees and investors
- To provide a trustworthy, transparent and sustainable investment
- To promote social and environmental sustainability
- To be a world-class REIT that adheres to global best practice.

Our strategic goals

- To grow and nurture a specialised portfolio of quality retail property investments
- To achieve sustainable distribution and capital growth by owning quality shopping centres in sub-Saharan Africa (including South Africa), South-Eastern Europe, and other emerging markets
- To be the leading retail REIT in South Africa
- To diversify our geographical concentration by seeking opportunities in other emerging markets
- To continually improve the quality of our portfolio through developments, expansions and refurbishments
- To dispose of non-core South African assets.

Our values

- Sustainable business practices
- Good corporate citizenship
- Ethical and socially responsible behaviour
- Recognition of the value of our employees, who are critical to our success.

INVESTMENT PROPOSITION

Hyprop is synonymous with investment excellence. We offer investors direct access to high-quality shopping centres in selected emerging markets through a transparent investment vehicle, focused on income and capital growth.

Each shopping centre is distinguished by:

- Quality, size, dominance 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
- Specialised investment focus on quality shopping centres
- Continually improving our shopping centre portfolio through reinvestment, with continuous extensions and refurbishments
- Robust balance sheet provides a strong platform to support continued growth
- Specialised and experienced internal management.

PERFORMANCE HIGHLIGHTS

Financial capital

Financial performance

Total dividend for the year up

14,2%

to 619,9 cents per share

NAV per share up

6,1% to R94,50 (2015: R89,04)

Loan-to-value (LTV) increased to

30,8%

(2015: 22,9%) due to inclusion of funding for **Delta City malls** and **Ikeja City Mall**

Total distributable earnings from South African investment property up

8,7%

Manufactured capital

Corporate activity

Opening of **Achimota Mall**, Ghana in October 2015

Acquisition of **Ikeja City Mall**, Nigeria in November 2015

Acquisition of **Delta City malls**, Montenegro (February 2016) and Serbia (April 2016)

Proceeds of

R365 million

from disposal of non-core assets (**Somerset Value Mart** and **Glenfield Office Park**) applied to reduce debt*

New equity raised of

R700 million*

** Post year-end*

Operational activity (South African portfolio)

Occupancy levels remain high at

98,9%

across the portfolio (2015: 98,0%)

New lettings at **Somerset Mall**, **Willowbridge**, **Lakefield Office Park and Hyde Park offices** positively impacting on total occupancy

Property expenses (gross) well controlled, with cost-to-income ratio reduced to

33,2% (2015: 33,6%)

Manufactured capital continued

Tenant updates (South African portfolio)

First Starbucks in South Africa opened at **Cradock Heights** in April 2016

First H&M for Hyprop opened at **Clearwater Mall** in April 2016

Upgrades and extensions (South African portfolio)

R37 million
extension to **Clearwater Mall**, housing leading global fashion brands H&M, River Island and Top Shop, opened in April 2016

R178 million
spent on capital projects, new equipment and tenant installations

H&M at **Somerset Mall** (R15,8 million)* and Checkers at **Atterbury Value Mart** (R31 million) currently under construction
** Opened post year-end*

R167 million
planned for extensions to shopping centres

Sub-Saharan Africa (SSA)

Distributable earnings from SSA increased by
97,4%
to R83,7 million

Share of distributable income for South-Eastern Europe
R31,9 million**
*** After interest on corporate debt*

South-Eastern Europe

Delta City malls (Serbia and **Montenegro)** fully let

Social and relationship capital

The Hyprop Foundation invested
R1,3 million
on education and community upliftment programmes

PERFORMANCE HIGHLIGHTS continued

Human capital

Spent **R1,3 million** training employees

Employee turnover remained low at **9%**

533 employees and contractors received voluntary counselling and testing for HIV/Aids (2015: 247)

Natural capital

78% of waste recycled

Cost savings of **R24 million** from environmental efficiency initiatives

Third submission to CDP on carbon emissions

Third participation in GRESB

Intellectual capital

Winner of the MSCI South Africa real estate investment conference awards

Included in the FTSE/JSE Responsible Investment Index

Awarded "Good" in EY's "Excellence in Integrated Reporting Awards 2016"



Rosebank Mall, Johannesburg, Gauteng

Material focus areas

Key to value creation

Investment excellence: grow a specialised portfolio of high-quality, dominant retail property investments by pursuing appropriate yield-enhancing acquisitions in emerging markets

Active asset management: maximise efficiencies, seek expansion and redevelopment opportunities (for existing shopping centres)

Effective capital and debt management: fix interest rates and increase average period of hedged debt book

Effective leasing management: focus on contractual rental escalations and improve tenant mix

Employee development, key skills retention, diversity and succession planning: enhance productivity through training and proactive focus on black economic empowerment and employment equity

Risks*

Low GDP growth

- Slowing consumer spend affects trading densities and rent ratios
- Volatility of ZAR exchange rate against USD and EUR
- Possibility of sovereign credit rating downgrade
- Rising cost of occupancy for tenants due to increasing municipal services tariffs

** View full risk matrix on pages 32 to 39.*

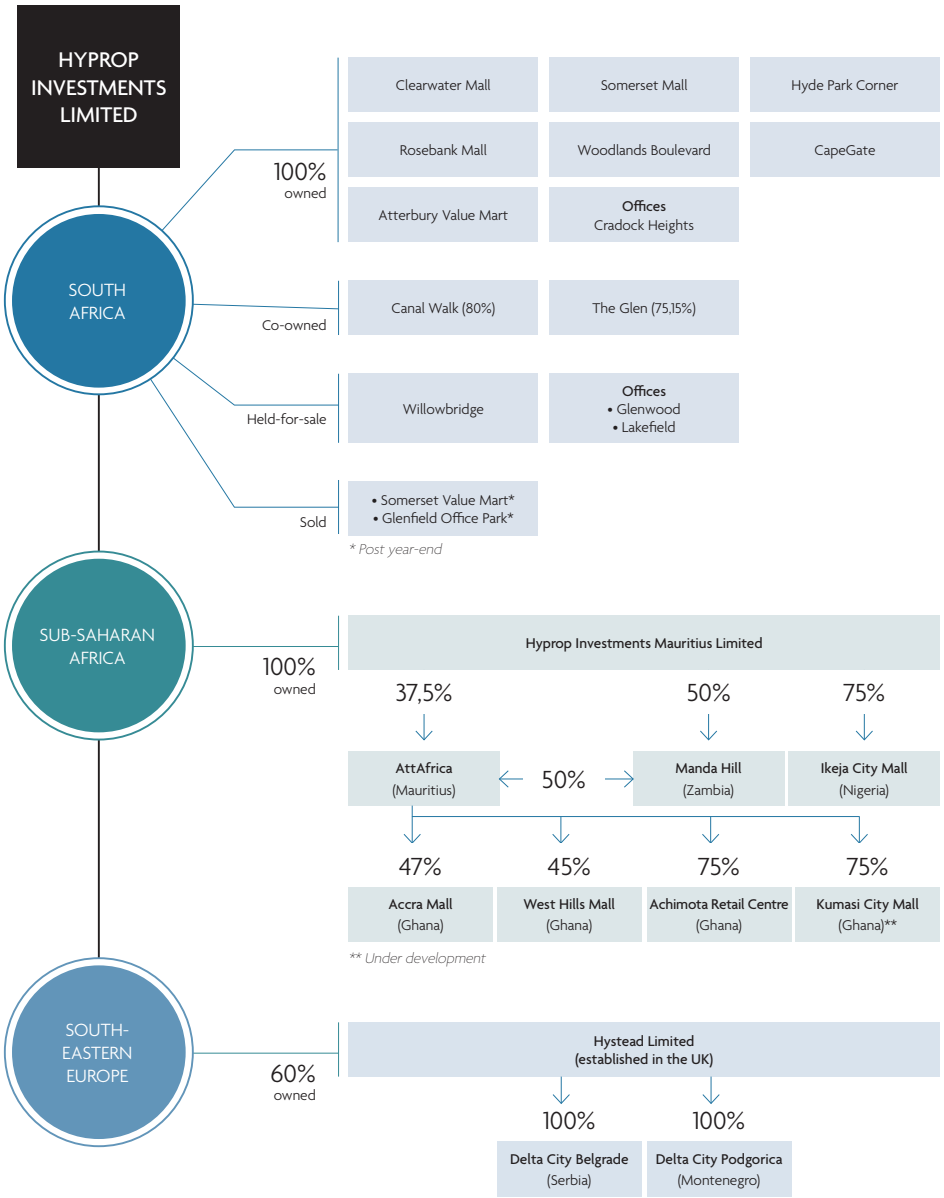
Opportunities

- Pursue appropriate yield enhancing, quality acquisitions in emerging markets; specifically in Eastern Europe, which benefits from a low interest rate environment
- Use tenant failures or lease expiries to enhance the tenant mix in our malls
- International retailers looking to expand locally

HYPROP'S BUSINESS STRUCTURE

Key to Hyprop's investment strategy is full or majority ownership of high-quality shopping centres in South Africa, sub-Saharan Africa and South-Eastern Europe.

With effective control of prime shopping centres, Hyprop can draw on a depth of in-house management expertise to achieve sustained growth. A focus on enhancing the tenant mix and redeveloping existing shopping centres ensures continued growth, supported by appropriate rental levels and control of tenant arrears and property expenses. Hyprop proactively accommodates new retail and lifestyle trends to retain our loyal customer base across the portfolio.



MANAGEMENT STRUCTURE

Board of directors

CVs on pages 72 to 73

Independent non-executive directors

- **Gavin Tipper** – Chairman
- **Ethan Dube**
- **Lindie Engelbrecht**
- **Thabo Mokgatlha**
- **Mike Lewin**

Non-executive directors

- **Kevin Ellerine**
- **Stewart Shaw-Taylor**
- **Louis Norval**

Executive directors

- **Pieter Prinsloo** – Chief executive officer
- **Laurence Cohen** – Financial director

Executive management

View CVs online

Head office (Rosebank)	Johannesburg region (Rosebank)	Pretoria region (Woodlands)	Cape Town region (Canal Walk)	International region (Rosebank)
Investment executive **Wilhelm Nauta**	Regional executive **Lynda Burger**	Regional executive **Yvette van der Merwe**	Regional executive **Wayne Abegglen**	Regional executive **Nicole Greenstone**
Developments executive **Steven Riley**	Leasing executive **Linda Moodley**	Leasing executive **Lynette Joubert**	Leasing executive **Zubair Rasool**	
Legal executive **Desirée Nafte**	Gauteng marketing executive **Reigardt Marais**		Western Cape marketing executive **Camilla Lor**	
Facilities manager **Brenda Frylinck**				
Technical manager **Mark de Klerk**				
HR and IT manager **Karin Eichhorn**				
Investor relations manager **Viki Jane Watson**				

Properties

Hyde Park Corner	Woodlands Boulevard	Canal Walk	Ikeja City Mall, Nigeria
The Glen Shopping Centre	Atterbury Value Mart	CapeGate	Delta City Belgrade, Serbia
Rosebank Mall	Clearwater Mall	Willowbridge (held-for-sale)	Delta City Podgorica, Montenegro
Cradock Heights	Glenwood (held-for-sale)	Somerset Mall	
	Lakefield (held-for-sale)	Somerset Value Mart* (sold)	
	Glenfield* (sold)		

** Sold post year-end*

LEADERSHIP REVIEW





Clearwater Mall, Johannesburg, Gauteng

CHAIRMAN'S REPORT

We live in an increasingly unpredictable environment with material shocks to international economies, and the local economy, becoming more regular.

> "We will work hard to ensure our properties remain as destinations of choice for the South African shopper and environments in which our retailers can achieve their targeted growth levels."



Gavin Tipper, *chairman*

An important aspect of the Brexit vote was that it was a strong call for change. Donald Trump may not be elected but the strength of his following again reflects the large number of people who are disaffected with the establishment and want change. A number of economies in the European Union have not recovered to pre-2008 levels despite significant financial stimulus, and sections of their populations are calling for change; whether or not there is change will depend on the levels of discontent and the leadership available to rally the calls.

Change at these levels is significant, particularly in a global economy still on the fragile side of normal, and as change becomes more likely, the associated uncertainty affects currencies and stock markets. A further consequence of major global changes, or likely changes, may be longer-term economic weakness, or anticipated weakness, which may require more financial stimulus and lower rates for longer. All of this increases investment risk but also creates opportunities.

The decrease in commodity and oil prices has had a detrimental effect on the economies of a number of African countries. Exchange rates have declined, or been adjusted downwards, and the supply of hard currency has been constrained. Without a sustained improvement in oil and commodity prices, economic growth in these countries will require responsible fiscal and monetary policies, and steps by governments to reduce inefficiency and corruption.

The South African economy continues to disappoint. The lack of leadership and repeated, unnecessary own goals have resulted in growth rates that are far too low to provide employment to an expanding and, in many cases badly educated, workforce. Although there are elements in government that seem to appreciate the magnitude of the crises we face, often their efforts are eclipsed by the actions of a group that seems to have agendas contrary to the best interests of the country, the unemployed and the poor. The results of the recent municipal elections should provide a call to government for change, however it appears that the primary responses will be largely populist and will ignore the fundamental issues South Africa faces. As such, the medium-term prognosis for the country is concerning; it is difficult to see how a ratings downgrade in the next year will be avoided, how the flight of intellectual and financial capital will be arrested and how the remaining tax base will afford the ever-increasing burden being placed on it.

The performance of the local listed property sector has reflected the consequences of government's economic policy over an extended period and investors' reactions to that. Property as an asset class has outperformed many other asset classes more directly affected by government policy or more dependent on labour, and there has been strong demand for property shares that offer exposure to markets other than South Africa.

Some of the expected consolidation in the property sector occurred during the last year and there have been several capital raisings and new listings, certain of which offer an exposure to offshore property.

Hyprop's domestic portfolio performed well in the 12 months to 30 June 2016. A number of developments to our properties were completed and demand for space remains strong, with rental growth and contractual escalations on new lettings and renewals reflecting the high quality of the malls. Vacancies decreased other than where space has been earmarked for redevelopment. A limited number of retailers went into business rescue during the year and this space was either relet or the tenant exited the business rescue process. The portfolio is reviewed regularly and contingency plans exist where there is considered to be a meaningful risk of tenants defaulting or wanting to relinquish space. Vacancies in the office portfolio decreased with new lettings at satisfactory rental levels.

We continue to look for opportunities to add to our domestic portfolio. The market for the type of properties appropriate to Hyprop is, however, limited and those properties tend to be expensive when they become available. Where commercially justified we will develop or extend our existing malls but this is done carefully in the context of the oversupply of retail space in South Africa and an economy producing little or no growth.

We disposed of a number of non-core properties during the year and applied the proceeds to reducing debt. We will target the remaining non-core properties in the next financial year.

The African portfolio performed reasonably well in country, despite the economic turmoil in certain of the countries in which we own properties. Demand for space held up and rental growth was acceptable. We have put a number of the proposed developments on hold until there is more clarity on progress in stabilising and growing the underlying economies. We experienced some difficulty in obtaining hard currency in Nigeria and Zambia, but eventually succeeded and anticipate an improvement in the level of access to hard currency, particularly in Nigeria.

The malls in Belgrade and Montenegro have performed in line with expectations since we acquired ownership. Opportunities for yield improvements have been identified and a proposal for an extension to the Montenegro mall is being considered.

Hyprop produced a strong financial performance for the year, with the distribution for the second half increasing by 14,9% over the comparable period in 2015, and the annual distribution rising by 14,2%. The like-for-like South African results were up by 7,3% in line with expectations for our portfolio, with the overall result benefiting from a full year of income from the Rosebank Mall, higher income from the African portfolio due to the West Hills, Achimota and Ikeja properties, the inclusion of income from the Montenegrin mall from February 2016, and from the Belgrade mall from April 2016, and a reduction in interest costs due to the application of the proceeds of the sale of non-core assets to reducing debt.

The level of foreign shareholding in the company remained relatively constant over the prior year.

In July 2016 the company raised R700 million by way of a private placement. The funds will be used to reduce debt and strengthen the balance sheet in anticipation of further offshore acquisitions.

Outlook

The strength of the Rand and the local stock market are heavily influenced by both international developments and local political leadership issues. The election of an unfortunate presidential candidate in the US, a failure to sensibly resolve the Brexit issues, significant political disruption in Europe or a decision by the US Federal Reserve to raise interest rates are likely to disrupt our markets and affect the relative value of the Rand, as are local actions that cast doubt on the key tenets of our governance systems.

The ongoing failure to produce meaningful economic growth locally and the impact of that on the average South African are significant contributors to a concerning economic outlook.

We will work hard to ensure our properties remain as destinations of choice for the South African shopper and environments in which our retailers can achieve their targeted growth levels. We will invest in our properties to maintain their standard, and where appropriate, to expand or enhance the offerings. The disposal of non-core properties will continue.

The performance of the African portfolio will depend on developments in the countries in which we own properties. Local demand appears to be holding up and access to hard currency is improving. New developments will remain on hold until we are more confident of future growth.

We will work to optimise the European properties and will undertake the expansion in Montenegro if it meets our investment criteria. We will continue to evaluate other properties in South-Eastern Europe with the objective of adding to our portfolio.

Certain South African property shares have performed strongly during the last 12 months and a level of caution looking forward is appropriate. The Hyprop portfolio is, however, well structured and relatively resilient, and should 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 that 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

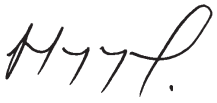
Hyprop is committed to the highest standards of corporate governance. This integrated annual report sets out details of our governance structures and the extent to which we comply with relevant codes of corporate governance and regulatory requirements.

Board changes

Louis van der Watt resigned from the board on 4 May 2016. On behalf of the board I thank him for his contribution and wish him well in his future endeavours.

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

The proven quality of Hyprop's specialist shopping centre portfolio underpinned consistent growth for the 12 months to 30 June 2016. At the interim stage, we raised our guidance to the market to expect distribution growth of 13% to 15% for the year, and we delivered 14,2%.

> "Over the past four years, we have made solid progress in geographically diversifying our portfolio, which spreads the risk of low economic growth in a particular region."



Pieter Prinsloo, *chief executive officer*

As the listed property sector expands and competition intensifies, a disciplined strategy becomes increasingly important. While Hyprop's strategy is detailed on page 5, I reiterate that key for our group is our focus on the type and quality of assets. In terms of type, we only consider ownership in large shopping malls. In terms of quality, we consider the location, dominance and quality of the mall itself. We focus on those with a strong consumer base and very strong tenant mix, and ensure they are well situated in key cities or strong metropolitan areas.

Against this background, a highlight of the year was our expansion into South-Eastern Europe after acquiring a 60% share in two Delta City malls in Montenegro and Serbia. Funded with EUR denominated loans, these acquisitions (detailed on page 54) are an attractive investment as they complement our strategy to acquire or develop high-quality, income-producing shopping centres in emerging markets.

The financial director's report details corporate activity post year-end. In summary, we raised R700 million in new equity and issued new corporate bonds of R1,2 billion, used to repay bank debt, while non-core disposals strengthened our balance sheet by R365 million.

Over the past four years, we have made solid progress in geographically diversifying our portfolio, which spreads the risk of low economic growth in a particular region. At year-end, South Africa was still the source of over 80% of our distributable income. We do, however, expect to benefit further from our investments in South-Eastern Europe and sub-Saharan Africa which will be included for the full year.

Operational performance

A number of factors contributed to the growth in distributable earnings, including almost 9% growth in distributions from our South African portfolio, additional income from acquisitions in Nigeria, Montenegro and Serbia and the opening of Achimota Retail Centre in Ghana.

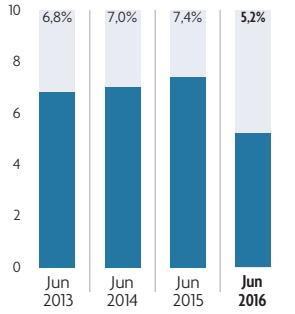
South Africa

Demand for retail space remained strong with vacancies in the domestic portfolio reducing to 0,8% from 1,3% a year ago, after new lettings at Somerset Mall, Willowbridge and Somerset Value Mart in our retail portfolio, and at Lakefield Office Park and Hyde Park offices.

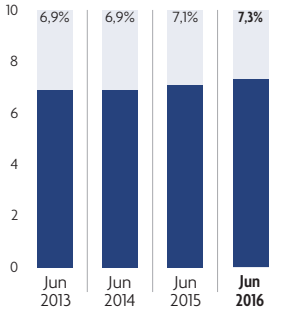
Post year-end, in line with our strategy of disposing of non-core assets, we concluded sale agreements for Somerset Value Mart and Glenfield Office Park for R185 million and R180 million, respectively.

Trading overview

Trading density growth



Rent ratio (rental as % of turnover)

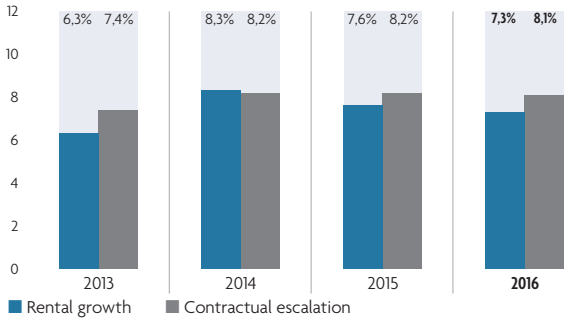


Trading density growth slowed during the period, primarily reflecting the impact of increased competition for The Glen. Excluding this centre, trading density growth for the rest of the portfolio was 6,4%. Similarly, excluding The Glen from the rent ratio leaves it unchanged year-on-year at 7,1%. The Glen remains a popular centre, and the impact of new competition is already subsiding. Initiatives are under way to stabilise trading densities and return The Glen to growth.

Leasing

Contractual lease escalations, the basis of growth in annual distributable income, dipped marginally to 8,1%. Rental growth on new leases and renewals slowed to 7,3%, primarily reflecting weak demand for space in our office portfolio, although vacancies improved to 4,5% from 8,3% in 2015.

Leasing terms



It was another busy period, with 568 leases signed in South Africa, representing 153 664m² (19,6% of our total portfolio by rentable area). Our focus remains on continuously improving the tenant mix by replacing weaker tenants with much stronger and sought-after retailers. We again accommodated the aims of local national tenants, for example Woolworths, to expand their store sizes, and capitalised on demand from international brands establishing a presence in South Africa. Notably, the first Starbucks outlet in South Africa opened in Rosebank in April 2016 and the first H&M in Hyprop's portfolio opened at Clearwater Mall in the same month.

Edcon

We continue to monitor the financial stability of the Edcon Group. This remains a risk, as Edcon is the largest tenant group in our portfolio, occupying 9% of our portfolio by rentable area and contributing almost 7% of our income. Edcon's issues relate mainly to high debt and its ability to provide credit to customers. During the year, Edcon restructured its debt to improve its financial position and strengthen its balance sheet. Analysed by trading density and profitability, most Edcon stores in our portfolio range from average to good, and we have appropriate contingency plans in place.

Platinum Group

Platinum Group stores were vacated and the space was relet.

Developments

We continued to enhance our existing portfolio, spending R178 million during the period on capital projects, replacing equipment and tenant installations. Included in our equipment spend was the cost of upgrading security systems at all our malls, installing additional generators at some malls, and installing smart-metering systems across our retail portfolio.

Completed projects are summarised below, while extensions are planned for Canal Walk and Rosebank Mall at an estimated project cost of R167 million. Key projects during the year included:

Extensions and developments completed	
Somerset Mall	Woolworths extension, food court upgrade, tenant relocations
Clearwater Mall	H&M extension
Under construction	
Somerset Mall	Extension to accommodate a large H&M store – opening October 2016
Atterbury Value Mart	Checkers – opening November 2016

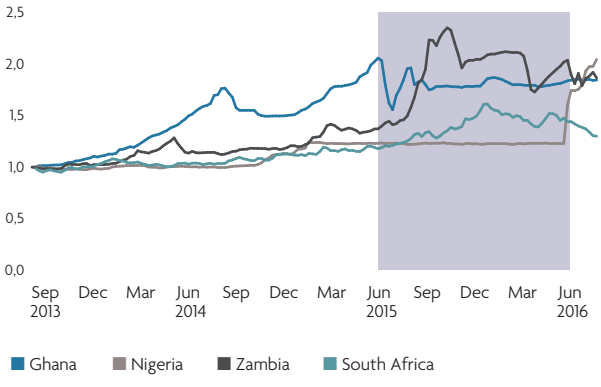
Customer security at our shopping centres remains a priority and, in line with our security strategy, we have installed up-to-date technology with improved results.

There are a number of masterplan expansion opportunities at some of our shopping centres, although implementation depends on planning approvals by local councils and the commitment of key tenants.

Sub-Saharan Africa

Our sub-Saharan Africa portfolio excludes South Africa. The review period was characterised by lower economic growth in Ghana, Zambia and Nigeria – our principal operating territories – accompanied by weakening local currencies.

Exchange rate volatility



CHIEF EXECUTIVE OFFICER'S REPORT continued

More positively, the defensive nature of our portfolio means it can withstand headwinds as our assets are in key cities where economic growth is higher than the country average. Equally, we believe the Hyprop portfolio is the largest and best quality in sub-Saharan Africa.

Investment in Sub-Saharan Africa (excluding SA)

Centre	City and country	Hyprop % share	Rentable area m²	Vacancy % rentable area	Foot-count/ m²
Accra Mall	Accra, Ghana	17,6	21 240	0	27
West Hills Mall	Accra, Ghana	16,8	28 466	0	16
Achimota Retail Centre	Accra, Ghana	28,1	15 170	18,0*	28
Manda Hill	Lusaka, Zambia	68,8	40 561	4,7	22
Ikeja City Mall	Lagos, Nigeria	75,0	22 223	2,3	30
Average				4,0	

** Eight months of trading – opened in November 2015*

Achimota Retail Centre opened in October 2015 and is trading well. We completed a USD9,5 million redevelopment of the food court and 1 000m² extension at Accra Mall in April 2016. Our fourth property in Ghana, Kumasi City Mall, will open in April 2017.

South-Eastern Europe

After comprehensive due-diligence exercises, we acquired a 60% interest in two European malls in 2016.

With Hyprop's share of the total purchase price being EUR121,6 million, these may be the first of similar acquisitions in South-Eastern Europe and will enhance our total shopping centre portfolio. Our objective is to partner with strong local developers and owners, aiming for partial ownership of a high-quality regional shopping centre portfolio, with a value of some EUR1 billion, within five years.

We are confident these acquisitions will enhance Hyprop's distributions, as funding rates in Europe are comparatively low and both malls offer a healthy net income return of above 8%. Salient features of the properties include:

- Delta City Belgrade is a modern and well-established shopping centre (some 30 000m² of rentable space and over 120 shops) in New Belgrade, the most densely populated municipality in the capital city. The mall's catchment area reaches 225 000 people, many within walking distance. High occupancy and footfall, plus a balanced tenant mix (including key retailers H&M and Zara) make this an attractive addition to our portfolio
- Delta City Podgorica is a contemporary and dominant shopping centre with almost 24 000m² of rentable retail space, and 80 shops including Zara, Guess, Tommy Hilfiger, Bata, Aldo, Gant and Orsay. The mall is on the main boulevard in Podgorica, Montenegro's capital, with a catchment area of over 210 000 people.

Our entry to South-Eastern Europe complements our focus on emerging markets for numerous reasons, including strong economic growth off a lower base with lower taxes translating into a better return on investment. In addition, less competition means we can acquire better quality centres, and skilled labour is easily available.

Income-producing properties

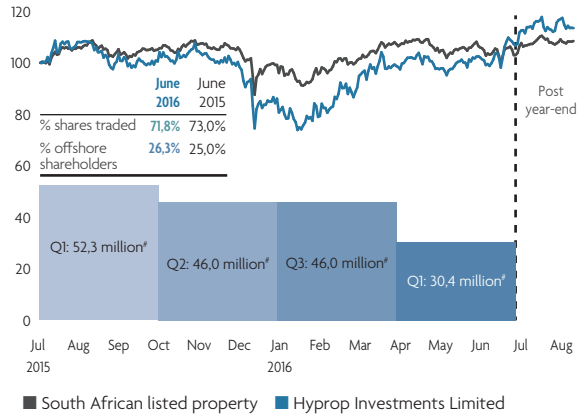
Centre	City and country	Hyprop % share	Rentable area m²	Vacancy % rentable area	Foot-count/ m²
Delta City Belgrade	Belgrade, Serbia	60	29 876	–	28
Delta City Podgorica	Podgorica, Montenegro	60	23 729	–	19

At present, we envision internal changes to the Belgrade asset to improve the tenant mix and capitalise on demand for space. We are also considering the risk/reward benefits of increasing the Podgorica centre's rentable area by 12 000m².

Shareholding

Hyprop has a 100% free-float market capitalisation. Offshore shareholders increased to 26,3% from 25% in 2015. Trading volumes, however, slowed marginally to 71,8% from 73,0% in 2015. Post year-end, Hyprop outperformed the SAPY index, as shown below.

Share price performance: July 2015 to 23 August 2016



 # Number of shares traded per quarter

Top 10 beneficial shareholders

Rank	Beneficial shareholder	% of issued share capital
1	Government Employees Pension Fund	13,90
2	Stanlib	4,69
3	Old Mutual	4,57
4	Vanguard	3,39
5	Investec	3,01
6	Eskom Pension and Provident Fund	2,81
7	Prudential Investment Managers	2,40
8	Sasol Pension Fund	2,37
9	Government of Singapore Investment Corporation	2,31
10	Investment Solutions	2,27

Outlook and focus

The resilience of our growth strategies is reflected in our focus on owning quality shopping centres, catering to middle and higher-income consumers. Given Hyprop's geographic diversity, it is pertinent to examine the outlook by region.

In South Africa, the current low economic growth rate is expected to be protracted. Any substantial weakening in the Rand exchange rate raises the likelihood of further hikes in interest rates, with concomitant impacts along our value chain. However, Hyprop has excellent assets and a quality management team: we will focus on these assets by improving the tenant mix, maintain strong operational performances across the board, continue our programme of refurbishments and extensions where we see opportunities in our portfolio, and dispose of non-core assets.

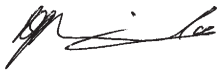
For our operations in sub-Saharan Africa, we expect lower economic growth for calendar 2016, accompanied by more short-term currency volatility, particularly in Nigeria. However, consensus market analysis indicates a possible recovery towards the end of 2017 and into 2018. Our focus is to bed down our current developments to ensure they trade successfully and improve our operational performance.

The outlook for South-Eastern Europe is much more positive. Regionally, there are still good investment opportunities, obviously only at the right price and yields. Most of these countries are recording good economic growth. Equally, international brands are keen to enter these markets and prepared to pay a premium to establish their presence. This should support income growth in these centres. We will focus on expansion opportunities, potential acquisitions and appropriate development proposals.

Against this background, we forecast growth in distributions of around 10% for the financial year ahead. This forecast has not been reviewed or reported on by the company's auditors.

Appreciation

Our board members continue to provide wise counsel and support, which are deeply appreciated. Equally, I thank our executive team and all our employees for their commitment 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

Hyprop declared a dividend of 322,1 cents per share for the six months ended 30 June 2016, an increase of 14,9% on the corresponding period in 2015. The total distribution for the year of 619,9 cents per share was an increase of 14,2% on the prior year.

> "Hyprop again produced a solid set of results, producing income and capital growth above the sector average."



Laurence Cohen, *financial director*

Distributable earnings for the year benefited from the inclusion of income from recently acquired Ikeja City Mall in Nigeria (November 2015), Delta City Podgorica in Montenegro (February 2016) and Delta City Belgrade in Serbia (April 2016), as well as the opening of Achimota Retail Centre, in Accra, Ghana (October 2015). Distributable earnings were further increased by exchange rate gains due to Rand weakness and from the inclusion of income from the redeveloped Rosebank Mall for the full period.

South African portfolio

Revenue and distributable earnings

Business segment	12 months ended 30 June 2016 Revenue R000	12 months ended 30 June 2016 Distributable earnings R000	12 months ended 30 June 2015 Revenue R000	12 months ended 30 June 2015 Distributable earnings R000
Canal Walk (80%)	628 169	442 978	579 188	412 308
Clearwater Mall	376 612	260 069	358 011	245 039
Somerset Mall	257 565	177 062	231 100	159 387
Rosebank Mall	283 060	183 350	234 353	149 665
Woodlands Boulevard	246 864	162 911	231 701	152 821
The Glen (75,15%)	230 817	163 036	218 999	153 796
Hyde Park Corner	211 335	137 855	199 074	130 900
CapeGate	178 943	106 051	167 562	96 472
Shopping centres	**2 413 365**	**1 633 312**	2 219 988	1 500 388
Atterbury Value Mart	129 153	96 124	120 286	89 544
Willowbridge[1]	99 574	56 008	90 746	49 793
Somerset Value Mart[1]	25 524	16 750	23 784	15 308
Value centres	**254 251**	**168 882**	234 816	154 645
Total retail	**2 667 616**	**1 802 194**	2 454 804	1 655 033
Standalone offices[2]	**77 078**	**45 957**	73 126	45 866
Stoneridge[3] (90%)			56 275	29 110
CapeGate Lifestyle[3]			32 937	22 178
Properties sold			89 212	51 288
Investment property	**2 744 694**	**1 848 151**	2 617 142	1 752 187

[1] *Held-for-sale*
[2] *Includes Glenwood, Glenfield and Lakefield – held-for-sale*
[3] *Sold during the 2015 financial year*

Total revenue and distributable earnings from South African investment property (excluding properties sold) increased 8,6% and 8,7%, respectively. Like-for-like revenue and distributable earnings from investment property (excluding Rosebank Mall) both increased by 7,3%.

Cost-to-income ratios

		30 June 2016	30 June 2015
Net basis %	Investment property (SA)	15,0	15,7
	Total group	19,2	18,7
Gross basis %	Investment property (SA)	33,2	33,6
	Total group	36,0	36,0

Ongoing and effective cost control in the South African portfolio contributed to a marginal improvement in the investment property cost-to-income ratio, on the net and gross basis.

Tenant arrears

Total arrears as a percentage of rental income were 0,5% (30 June 2015: 0,6%).

Valuations

		Value attributable to Hyprop		Value per rentable area
Business segment	Rentable area m^2	30 June 2016 R000	30 June 2015 R000	30 June 2016 R/m^2
Shopping centres	649 479	25 282 472	23 790 630	42 870
Value centres	90 600	1 755 000	1 734 000	19 371
Total retail	740 079	27 037 472	25 524 630	39 993
Standalone offices	23 811	328 075	315 775	13 778
Properties sold (post year-end)	22 866	365 000	365 000	15 963
Investment property	786 756	27 730 547	26 205 405	38 501

Investment property was valued at 30 June 2016 at R27,7 billion (2015: R26,2 billion), up 5,8% primarily due to income growth.

Investments in sub-Saharan Africa (excluding South Africa)

						Hyprop share of distributable earnings[2]	
	Rentable area m^2	Valuation 30 June 2016[1] USD000	Valuation 30 June 2015[1] USD000	Value per rentable area USD/m^2	Vacancy %	30 June 2016 R000	30 June 2015 R000
Total portfolio	127 660	562 400	339 870	4 405	4,0	83 654	42 368

[1] Valuation reflects 100% of the asset value

[2] Hyprop share of distributable earnings is reflected after interest on in-country debt and after interest on corporate debt

Distributable earnings from the investments in sub-Saharan Africa (excluding SA) increased by 97,4% to R83,7 million, in part due to income from West Hills Mall (Accra, Ghana – effective November 2014), Achimota Retail Centre (Accra, Ghana – effective November 2015) and Ikeja City Mall (Lagos, Nigeria – effective November 2015).

Distributable earnings from the investments in sub-Saharan Africa (excluding SA) benefited from exchange rate gains of R15,9 million.

Investments in sub-Saharan Africa (excluding SA) to date total R4,3 billion (excluding in-country debt in Nigeria) and are financed with USD bank funding.

FINANCIAL DIRECTOR'S REPORT continued

Investments in South-Eastern Europe

	Hyprop's effective shareholding %	Rentable area m²	Valuation 30 June 2016[1] EUR000	Value per rentable area EUR/m²	Vacancy %	Hyprop share of distributable earnings[2] 30 June 2016 R000
Total portfolio	60,0	53 605	206 100	3 845	–	31 944

[1] *Valuation reflects 100% of the asset value*
[2] *Hyprop share of distributable earnings is reflected after interest on corporate debt*

The purchase of Delta City Podgorica (Montenegro) was effective in February 2016, while the purchase of Delta City Belgrade (Serbia) was effective in April 2016. Implementation of the acquisitions are progressing well and income is in line with expectations.

The purchase consideration for Delta City Podgorica has been paid in full, while payment of EUR49,3 million of the total purchase consideration relating to Delta City Belgrade was delayed, pending the fulfilment of certain conditions.

Notwithstanding the delay in payment, all net property income from Delta City Belgrade accrued to the purchasers from the effective date in April 2016. The outstanding amount was paid in September 2016.

The Delta City acquisitions were funded with EUR-denominated bridge funding, supported by a guarantee from Hyprop. The bridge funding will be refinanced within 12 months following the initial draw-down of the bridge loan. The long-term funding for the transaction will be at a higher cost than the bridge funding. It is anticipated that the long-term funding of the transaction will be in place from February 2017.

The delay in payment of the final tranche of the purchase consideration for Delta City Belgrade, as well as the lower cost of funding for the bridge loan, are both once-off benefits to Hyprop in the 2016 financial year and the first half of the 2017 financial year.

Net asset value

The net asset value (NAV) per share at 30 June 2016 increased by 6,1% to R94,50 (2015: R89,04). The increase was primarily due to an increase in the independent valuation of the investment property portfolio.

At 30 June 2016, the closing share price of R129,89 represented a premium of 37,4% to the NAV per share.

Borrowings

	30 June 2016 Rm	30 June 2015 Rm
Bank debt	9 344	4 520
South Africa	2 992	2 327
USD (Rand equivalent)[3]	4 842	2 193
EUR (Rand equivalent)[4]	1 510	
Debt capital market funding (South Africa only)	1 640	2 172
Corporate bonds	1 200	1 800
Commercial paper	440	372
Cash and cash equivalents	(239)	(138)
Net borrowings	10 745	6 554
Loan to value %	30,8	22,9
Debt at fixed rates %		
South African debt %	89,6	96,7
USD debt %	72,4	89,9
Maturity of fixes years		
South African debt years	4,9	5,6
USD debt years	3,7	4,1
Cost of funding %		
South African debt %	8,9	8,4
USD debt %	4,6	4,4
EUR debt %	1,7	
Debt capital market (DCM) % of total debt	15	19

[3] *The USD debt includes 75% of the in-country debt relating to Ikeja City Mall (Lagos, Nigeria)*
[4] *The EUR debt, which relates to Hyprop's effective 60% interest in the South-Eastern European shopping malls, is not consolidated on the Hyprop statement of financial position*

The Rand equivalent of USD-denominated bank debt increased due to the acquisition of Ikeja City Mall, ongoing development activity in AttAfrica and Rand depreciation against the USD.

The loan-to-value (LTV) ratio at 30 June 2016 increased to 30,8% (2015: 22,9%), largely due to the inclusion of the funding of Hyprop's effective 60% share of the Delta City malls (Serbia and Montenegro) as well as the funding of Hyprop's 75% share of Ikeja City Mall (Lagos, Nigeria).

The debt to acquire the Delta City malls comprises short-term bridge funding and the interest rate has therefore not been fixed.

Subsequent to year-end, a maturing South African bank facility amounting to R1,2 billion was refinanced with DCM funding (three, four and five-year corporate bonds). This has increased the ratio of DCM funding to total debt to approximately 25%. All of Hyprop's DCM funding is unsecured.

Distributable earnings statement and reconciliation to dividend declared

	Distributable earnings 12 months	
	30 June 2016 R000	30 June 2015 R000
South African property portfolio	1 848 151	1 752 187
Investments in sub-Saharan Africa (excluding SA)	83 654	42 368
Investments in South-Eastern Europe	31 944	
Word4Word Marketing	1 000	4 243
Fund management expenses	(64 922)	(62 001)
Net interest	(394 310)	(417 178)
Antecedent dividend	16 704	
Total distributable earnings	1 522 221	1 319 619
Total shares in issue at year-end	243 256 092	243 256 092
Treasury shares in issue	(410 659)	(265 659)
Shares issued, August 2016	5 185 186	
Shares in issue for distributable earnings	248 030 619	242 990 433
Dividend per share (cents)	619,9	543,0
Dividend per share growth %	14,2	15,0

Net interest costs for the period of R394,3 million (2015: R417,2 million) reduced due to non-core asset sales in the second half of the 2015 financial year, amounting to R833 million (Stoneridge and CapeGate Value and Lifestyle centres), the proceeds of which were applied to the repayment of debt.

Subsequent to year-end, 5,2 million new shares were issued at R135 per share. The issue of new shares after year-end, but prior to the record date for the final distribution, resulted in an antecedent dividend amounting to R16,7 million. In accordance with industry best practice, the antecedent dividend has been added back in the calculation of distributable earnings for the year.

In the summarised consolidated results published on 2 September 2016, the antecedent dividend was reflected as R32,1 million. The correct figure is R16,7 million. For further detail, refer to note 37.3 on page 151 of the group annual financial statements.

The proceeds of the equity issue will be applied to the reduction of Rand-denominated debt and to ongoing capital expenditure in the South African portfolio.

Cash management

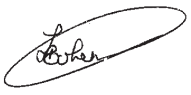
All rental income earned by the company, less property expenses and interest on debt, is distributed to shareholders semi-annually.

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 are applied to capital expenditure, developments and the reduction of debt.

Appreciation

I thank my 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 2016

	30 June 2016[2] R000	30 June 2015[2] R000	30 June 2014[2] R000	30 June 2013[1] R000	31 December 2012[2] R000
Revenue	3 078 221	2 703 034	2 514 779	1 099 489	2 177 625
Investment property income	2 976 420	2 642 949	2 432 459	1 008 671	2 016 184
Straight-line rental income accrual	101 801	60 085	45 055	15 879	9 208
Listed property securities income			37 265	74 939	152 233
Property expenses	(993 861)	(887 918)	(837 822)	(347 277)	(714 284)
Net property income	2 084 360	1 815 116	1 676 957	752 212	1 463 341
Other operating expenses	(76 593)	(64 611)	(82 480)	(27 729)	(53 885)
Net interest	(366 176)	(351 647)	(394 721)	(191 723)	(404 827)
Received	323 759	157 344	65 645	17 234	22 180
Paid	(689 935)	(508 991)	(460 366)	(208 957)	(427 007)
Net operating income	1 641 591	1 398 858	1 199 756	532 760	1 004 629
Change in fair value	1 217 049	2 426 584	1 532 852	1 403 721	1 273 905
Investment property	1 382 134	2 467 113	1 655 897	1 198 105	1 137 924
Straight-line rental income accrual	(101 801)	(60 085)	(45 055)	(15 879)	(9 208)
Investment in joint venture	(10 102)				
Listed property securities (on disposal)			(82 266)	(2 842)	315 259
Derivative instruments	(53 182)	19 556	4 276	224 337	(170 070)
(Loss)/profit on disposal		(5 768)	190 760	28 061	(15 221)
Investment in subsidiary		(30 011)			
Investment property		24 243	4 460	90	(11 886)
Listed property securities			168 869	27 971	(3 335)
Associate			17 431		
Amortisation of debenture premium			102 806	49 119	487 925
Impairment of goodwill		(4 280)	(7 779)		
Gain on bargain purchase (African Land)			102 895		
Non-core income				1 009	
Income before debenture interest	2 858 640	3 815 394	3 121 290	2 014 670	2 751 238
Debenture interest			(1 147 443)	(517 831)	(994 333)
Net income before equity-accounted investments	2 858 640	3 815 394	1 973 847	1 496 839	1 756 905
Share of loss from joint ventures	(41 007)	(17 447)			
Share of income from associate	457	652	462	4 262	144
Profit before taxation	2 818 090	3 798 599	1 974 309	1 501 101	1 757 049
Taxation	(50 930)	(19 023)	(17 719)	2 239 008	(753 169)
Profit for the year/period	2 767 160	3 779 576	1 956 590	3 740 109	1 003 880
Non-controlling interest	(16 313)		(8 103)		
Total profit/(loss) for the year/period attributable to shareholders (2011 to 2014: unitholders) of the company	2 750 847	3 779 576	1 948 487	3 740 109	1 003 880
Investment property at fair value[3]	28 822 198	25 000 630	22 230 404	18 655 496	17 480 030
Distribution per share (2012 to 2014: combined unit) (cents)	619,9	543,0	472,0	213,0	409,0

[1] Six months
[2] 12 months
[3] Excludes investment property held-for-sale

VALUE ADDED STATEMENT for the year ended 30 June 2016

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 2016 Rm	%	Unaudited 12 months to June 2015 Rm	%
Investment property income	2 976		2 643	
Property expenses excluding employee remuneration and municipal charges	(403)		(285)	
Other operating expenses	(65)		(62)	
Dividends received	117		47	
Total value created	2 625		2 343	
Value distribution				
To employees				
Remuneration and benefits	128	5	124	5
To providers of finance				
Finance costs	366	14	352	15
To government				
Current tax	7		12	1
Municipal charges	586	22	535	23
To providers of capital				
Distributions to shareholders	1 538	59	1 320	56
Total value added	2 625	100	2 343	100

VALUE DISTRIBUTION



VALUE CREATION OVERVIEW



Hyprop strives to create sustainable value for our stakeholders and to be a good corporate citizen by operating our business with tomorrow in mind. The pursuit of sustainable value creation incorporates economic prosperity, social responsibility and environmental protection.

The purpose of business is to increase profitability, provide sustainable total returns and create value. To achieve this, management reflects on current opportunities and strengths while exploring ways to mitigate risks and threats.



Delta City Belgrade, Belgrade, Serbia

HYPROP'S BUSINESS MODEL

Creating value for stakeholders: inputs, outputs and outcomes defined

As an income-focused REIT, Hyprop creates value for investors and other stakeholders by owning and investing in quality shopping centres, benefiting from active asset management based on ethical leadership and sound corporate governance principles. This results in sustainable real estate investments, which generate long-term capital and income growth.

INPUTS	OUTPUTS
Business activities	Product and services delivered

Financial capital

Responsibility: Income growth and capital appreciation

Financial management	• Sources of funding: debt and equity	• Capital growth • Income growth • Relatively low loan-to-value ratio • Disposal of non-core assets

Manufactured capital

Responsibility: To ensure manufactured capital generates capital appreciation and income growth

Own and invest	• Own high-quality, dominant shopping centres in large metropolitan areas in strong economic nodes • Seek expansion and redevelopment opportunities in existing shopping centres • Pursue appropriate yield-enhancing acquisitions • Effective capital and debt management	• Real estate investments which provide superior long-term investment returns • Geographic diversification in high-growth emerging markets • Superior returns for investors

Intellectual capital

Responsibility: Intellectual property and corporate culture are critical to preserve, grow and retain skills

Leasing	• Earn rental • Rent collections • Lease agreements • Manage occupancy level • Manage tenant arrears	• Strong contractual rental escalations • Improved tenant mix • Dedicated leasing executives and national legal executive • Turnover densities
Asset management	• Active internal asset and property management to maximise efficiencies and pursue opportunities • Property maintenance	• Well-managed portfolio of properties that generate growing income • Rising property values • Extracting synergies, e.g. national service contracts • Well-contained cost structure
Information management	• Secure IT systems to improve efficiency of assets, employees and operations	• Integrated electronic property management system • Internal functions such as human resources driven by technology
Stakeholder communication	• Transparent stakeholder communication	• Dedicated investor relations manager, marketing executives and compliance officer

Natural capital

Responsibility: To ensure that operations (occupation and redevelopment of properties, day-to-day activities) limit their impact on the environment

Environmentally efficient properties	• Energy, carbon emission, water and waste-reduction targets • Green building principles • Resource management • Environmental strategy • Voluntary participation in global environmental benchmarks	• Reduced environmental footprint • Environment-specific risk assessments • Projects to improve energy efficiency (such as Clearwater Mall's solar photovoltaic plant)

Human capital

Responsibility: To grow and nurture the talent, knowledge and skills of our people

Ethical leadership	• Regulatory compliance and corporate governance • Experienced board • Hands-on executive management	• Strategic risk management and investment strategy to protect and grow the business • Strong compliance with regulatory requirements • Top rating in independent governance instrument
Employee management	• Employee development programme • Education and training • Employment equity • Black economic empowerment • Remuneration policy • Health and safety policy	• Develop staff productivity • Low staff turnover • Addressing skills shortage • Share incentive scheme to retain executive management and align with company vision and strategy • Safe and healthy working environment

Social and relationship capital

Responsibility: To ensure interactions with local stakeholders are meaningful and constructive

Corporate social investment (CSI)	• Hyprop Foundation • Community development • Monitor staff participation in CSI initiatives • Connecting with shoppers	• Sustainable social responsibility through education, training and enterprise development • Further development of Hyprop Foundation activities and community interactions

OUTCOMES

Short, medium and long-term sustainable value creation from business activities

- Increase in NAV of 6,1%
- Loan to value of 30,8%
- Distribution growth up by 14,2%
- Proceeds of disposals used to reduce debt

- Further expansion into sub-Saharan Africa – acquisition of Ikeja City Mall (Nigeria) and development of Achimota Mall (Ghana)
- Acquisition of Delta City malls in Belgrade (Serbia) and Podgorica (Montenegro)

- Occupancy rate improved to 98,9%
- Arrears at 0,5% of rent roll

- Investment property (SA) improved cost-to-income ratio of 33,2% from 33,6%

- Continuity and synergy

- Effective controls and processes supporting transparent disclosure

Refer to page 30 – 31

- Improvements made to an already small environmental footprint

Refer to page 59 – 62

- Strategic risk management and investment strategy to protect and grow the business

- Training targets exceeded
- Key skills retention
- Skills development
- Diversity
- Succession planning

Refer to page 63 – 66

- Opportunity to give back to stakeholders and community

VALUE CREATION

Value created is shared by investors and other stakeholders

Shareholders

Value is shared through dividend payments and growth in the Hyprop share price

Suppliers

Our value chain supports job creation

Employees

Development, reward and long-term incentives to retain a skilled and motivated workforce

Tenants

The quality of our malls and superior tenant mix attracts customers, creating value for tenants

Communities

Communities benefit from the numerous socio-economic development projects managed through the Hyprop Foundation annually

Hyprop malls attract a range of retailers, contributing to job creation for communities in and around our shopping malls

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders (employees, investors, financiers, local communities, tenants and suppliers) is a critical part of our business strategy. Our priority is to determine their needs and respond appropriately.

Stakeholder analysis	ONGOING FOCUS AREAS	
Tenants	• Tenant mix improvement • Initiatives to enhance the shopping experience and attract shoppers • Changes in consumer spending • Increased competition	• Rising operating and municipal costs • Mall cleanliness, security and maintenance • Tenant/landlord communication • Supply of electricity and water
Employees	• Career development and training • Equity participation • Short-term and long-term incentives • Remuneration policy • Health and safety policy	
Shoppers	• Tenant mix improvement • Ongoing improvements to shopping experience • Mall cleanliness, maintenance • Role of security • Retail and entertainment offering	
Investors and financiers	• Interest rates on funding • Competition from new developments close to our shopping centres • Changes in exchange rates • Distribution growth • Strategy execution • Portfolio growth • Capital appreciation • Accessibility of management	• Timely information on key developments • Exposure to sub-Saharan Africa • Exposure to South-Eastern Europe • Succession • Corporate governance • Solvency and liquidity • Timely servicing of debt • Portfolio value • Credit rating
Suppliers	• Timely payment • Fair business practices	• Lack of skills affecting their ability to deliver service
Government and regulators	• Employment equity • Environmental impact • Taxation	• Compliance • Adherence to JSE Listings Requirements • Company legislation
Local communities	• Socio-economic development • Environmental impact • Responsible corporate citizenship	
Industry associations	• Introduction of new legislation • Global and local industry trends • Sector-specific issues	

Stakeholder strategy

- Ensure the safety and security of shoppers/tenants/employees, to the extent possible shopping centre management and their service providers
- Engage with analysts, tenants, financiers, regulators and local communities regarding risks and possible ways to mitigate them.
- Engage with local communities to enhance corporate social investment
- Broad-based black economic empowerment (BBBEE)/employment equity: achieve steady improvement
- Ensure a succession plan for senior management is in place.

STAKEHOLDER ENGAGEMENT	
• On-site property teams • Print, web, social media, telephonic communication • Events • One-on-one meetings	
• Quarterly staff newsletter • Email and telephonic communication • Intranet • Induction, training and development	• Events • Wellness days • Participation in Hyprop Foundation events
• Mall branding • Mall website and social media pages	• Text messages • Free wi-fi
• Investor presentations • Roadshows • One-on-one meetings • JSE SENS announcements • Media announcements • Website	• Surveys • Site visits • Annual report • Marketing material • Email notifications
• Tender for proposals	
• BBBEE scorecard • Employment equity reports • Tax return	
• Hyprop Foundation initiatives • Bursaries • Environmental initiatives • City improvement districts	• JSE reporting
• Formal responses to policy and regulation	

RISK MANAGEMENT

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

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 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 effectiveness of internal control systems, assisted by the audit and risk committees. These committees in turn are assisted by management reporting and periodic reviews, as

Internal risks (under control of management)
External risks (can be mitigated by management)
External risks (outside the control of management)

	Strategic objective	Key risk	Probable effects	Severity of risk	Stakeholder
SOUTH AFRICAN ECONOMY	Focus on sustainable income growth	Low GDP growth impacts business growth in South Africa	• Slower retail sales growth affects retailers' financial positions and ability to pay rent	High	• Providers of capital (debt and equity investors and financial institutions)
		Slowing consumer spend affects retailers' trading densities and rent ratios	• Leases not renewed • Discounted rentals to retain tenants • Tenants more cautious on renewals and new lettings • Tenants taking less space, slower extension plans	High	• Tenants • Providers of capital (debt and equity investors, financial institutions)
		Downgraded sovereign credit rating	• Increased borrowing costs	High	• Providers of capital (debt and equity investors and financial institutions)
LEASING	Focus on sustainable income growth	Increased supply of retail space in the market	• Discounted rentals to retain tenants • Tenants become more demanding on leasing terms • Increased vacancies • Leases not renewed • Lower rental growth	High	• Tenants
		Significant volume of leases expiring in any one period	• Increase in vacancies	Medium	• Tenants
		Restrictive clauses in leases	• Limitation on tenant selection	Medium	• Tenants

well as reports from an outsourced internal audit service provider. The committees report to the board on the findings of the internal audit function.

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.

Risk committee

This board committee has an independent oversight role, making 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 and senior management. The main role of the committee is to adopt and oversee an appropriate risk management policy, aligned with industry practice. For further detail on the role and mandate of this committee, please refer to its charter online.

no change to risk
risk reduced
risk increased

	Strategic response/mitigation	Key performance indicator	Risk (up/no change/ down)
	• Hyprop malls are well established, in dominant locations and attract flagship stores	• Arrears, trading densities, rent affordability	–
	• Contractual lease income with financially sound tenants (most are reputable national companies with strong balance sheets and proven business models) • Geographic diversification (eg sub-Saharan and South-Eastern expansion)	• Arrears, trading densities, rent affordability	–
	• High ratio of fixed interest rate debt • Introduction of unsecured debt in the form of debt capital market (DCM) funding	• Distribution growth	–
	• 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	• Leasing activity, rental growth, contractual escalations, workload (percentage of total leases expiring in one financial year)	–
	• Stagger major lease expiries	• 96% of expired leases renewed on time	–
	• Proactively manage lease expiries • Ensure a strong pipeline of prospective tenants • Not to enter into new leases with restrictive clauses	• Monitoring of leases with restrictive clauses	–

RISK MANAGEMENT continued

Internal risks (under control of management)
External risks (can be mitigated by management)
External risks (outside the control of management)

	Strategic objective	Key risk	Probable effects	Severity of risk	Stakeholder
BBBEE	Attracting and retaining the best people	BBBEE level	• Major tenants prefer landlord to have reasonable BBBEE rating	High	• Employees • Suppliers • Tenants
		Negative impact of new codes	• Potential impact on corporate activity in SA		
		Transformation required in ownership, directors and senior management	• Potential for regulatory penalties		
ELECTRICITY	Providing the highest level of service to our tenants	Negative impact of disruptive electricity supply on the economy and at Hyprop malls	• Unable to recover tenants' portion of consumption means lower distributable income • Lower rentals to retain certain tenants • Prolonged power outages result in sub-optimal trading conditions	Medium	• Mall customers • Tenants
		Increase in capital cost to provide more generators	• Increased electricity and diesel costs	Medium	• Municipal authorities
WATER	Providing the highest level of service to our tenants	Negative impact of disrupted water supply at Hyprop malls	• Prolonged water outages result in sub-optimal trading conditions	Medium	• Mall customers • Tenants
LOCAL COUNCILS	Providing the highest level of service to our tenants	Increased cost of occupancy from rates, taxes and utilities	• Cost and supply of electricity and water • Excessive increase in cost of occupancy impacting recoveries and renewals	Medium	• Tenants
		Deterioration of municipal administration and service delivery	• Incorrect utility billings • Delays in transfer of acquisitions and disposals • Inadequate services provided • Excessive lead times for town planning approval	High	• Tenants • Providers of capital (debt and equity investors, financial institutions)
SECURITY	Providing the highest level of service to our tenants	Increased levels of crime at shopping centres	• Hyprop forced to spend more capital on security equipment • Crime at shopping malls • Negative impact on footfall • Reputational damage for Hyprop and for its malls	Medium	• Mall customers • Tenants • Community

– *no change to risk*
↓ *risk reduced*
↑ *risk increased*

	Strategic response/mitigation	Key performance indicator	Risk (up/no change/ down)
	• Identified as a strategic imperative. Plan in place to achieve incremental and sustainable improvements	• Independent BEE rating	–
	• Numerous projects underway to reduce consumption • 1 500kWp solar photovoltaic plant at Clearwater Mall	• Cost of occupancy – electricity consumption	↓
	• Introducing smart metering • Energy-saving initiatives		
	• Storage tanks capacity to increase	• Cost of occupancy – water consumption	↑
	• 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	–
	• Working closely with professional consultants to optimise local authority approval processes and minimise negative impact of billing errors	• Town council approvals received, utilities recovered	–
	• Improve quality of service provider and security equipment • Better engagement between shopping centre staff, service provider, community and local police	• Improved crime statistics at shopping malls	↓

RISK MANAGEMENT continued

Internal risks (under control of management)
External risks (can be mitigated by management)
External risks (outside the control of management)

	Strategic objective	Key risk	Probable effects	Severity of risk	Stakeholder
FINANCE	Gearing	Deterioration of gearing profile	• Inability to pursue investment opportunities	Medium	• Providers of capital (debt and equity investors, financial institutions)
	Managing exposure to interest rate fluctuations	Potential increase in interest rates	• Increased borrowing costs result in reduced distributable income	Medium	• Providers of capital (debt and equity investors and financial institutions)
EMPLOYEES	Attracting and retaining the best people	Shortage of industry skills may result in an inability to recruit required executive staff and increase costs of retaining key staff	• Departure of executive directors and key executives may place strategy execution at risk	Medium	• Providers of capital (debt and equity investors and financial institutions) • Tenants • Suppliers • Employees
		Succession planning			
EMERGING MARKET INVESTMENT (EXCLUDING SOUTH AFRICA) IN SUB-SAHARAN AFRICA	Increase portfolio and geographic diversification	Currency exchange rate risk	• Unable to repatriate funds due to illiquid currency markets or capital restrictions • Reduced distributable income • Weakening currencies place country tenants under pressure • Excessive volatility in exchange rates	High	• Tenants • Providers of capital (debt and equity investors, financial institutions)
		Slowdown in consumer spend	• Leases not renewed	High	• Tenants • Providers of capital (debt and equity investors, financial institutions)
		Operating environment	• Operating cost increases (specifically municipal rates and taxes) • Cost of development increases	High	• Providers of capital (debt and equity investors, financial institutions)
		Investment risk	• Returns below expectations • Default on shareholder funding	High	• Providers of capital (debt and equity investors, financial institutions)
		Development risk	• Reduction in return or inability to achieve target return	High	• Providers of capital (debt and equity investors, financial institutions)
		Tax risk	• Changes to tax laws in countries where Hyprop invests	Medium	• Providers of capital (debt and equity investors, financial institutions)

– *no change to risk*
↓ *risk reduced*
↑ *risk increased*

	Strategic response/mitigation	Key performance indicator	Risk (up/no change/ down)
	• Maintain conservative gearing levels • Ensure available funding to cover capital requirements • Diversified sources of funding	• Undrawn facilities and capacity under debt capital market programme, covenants	↑
	• Reduction in borrowing costs enhanced distributions • 89,6% of SA debt fixed for 4,9 years, and 72,4% of USD debt fixed for 3,7 years • Proactive management of interest-bearing borrowings	• Maturity profile, cost of funding	↑
	• Retention strategy includes performance incentives, remuneration benchmarking, personal development plans • Share scheme implemented • Succession plans reviewed biannually by nomination and remuneration committee	• Strategy implementation • Staff turnover	–
	• Matching debt with income (USD) • Consider hedging exposure in terms of material dividends received	• Size of dividend (current percentage of income)	–
	• Hyprop malls are well established, in dominant locations and attract flagship stores • Strong lease agreements with financially sound tenants (most are reputable national companies with strong balance sheets and proven business models)	• Arrears, trading densities, rent affordability	–
	• Employ local, on-site management teams • Implement optimal holding structures	• Ability to deliver development projects on time and within budget • Ability to conduct day-to-day operational activity	–
	• Investment still a small percentage of Hyprop's total portfolio	• USD yields	↑
	• Reduce size of investment/scale down investment in the face of risk/elect not to invest at all • Conduct studies to ensure adequate pre-let requirements are met prior to developments	• Initial yield on opening	↑
	• Consider alternative tax structures	• Low tax rate	–

RISK MANAGEMENT continued

Internal risks (under control of management)
External risks (can be mitigated by management)
External risks (outside the control of management)

	Strategic objective	Key risk	Probable effects	Severity of risk	Stakeholder
EMERGING MARKET INVESTMENT (EXCLUDING SOUTH AFRICA) IN SOUTH-EASTERN EUROPE	Increase portfolio and geographic diversification	Operating environment	• Operating cost increases (specifically municipal rates and taxes) • Cost of development increases	Medium	• Providers of capital (debt and equity investors, financial institutions)
		Tax risk	• Changes to tax laws in countries where Hyprop invests	Medium	• Providers of capital (debt and equity investors, financial institutions)
POLITICAL RISK	Minimise political risk due to policy changes	Governments adopt policies that are unfavourable to foreign investors, particularly movement of capital, taxation and land ownership	• Share price fluctuations • Exchange rate fluctuations • National credit rating affected	High (SA)	• Providers of capital (debt and equity investors, financial institutions)

– *no change to risk*
↓ *risk reduced*
↑ *risk increased*

	Strategic response/mitigation	Key performance indicator	Risk (up/no change/ down)
	• Employ local, on-site management teams • Implement optimal holding structures	• Ability to deliver development projects on time and within budget • Ability to conduct day-to-day operational activity	–
	• Consider alternative tax structures	• Low tax rate	–
	• Proactive risk management of debt profile by staggering fixed interest rate expiries	• Share price performance • Arrears, trading densities, rent affordability • Distribution growth	↑

PORTFOLIO REVIEW





Somerset Mall, Somerset West, Western Cape

THE MARKET IN WHICH WE OPERATE

The JSE-listed property sector in South Africa continues to grow, with 37 companies managing assets of over R572 billion (2015: 27 and R350 billion, respectively). Following the influx of capital after the introduction of REIT legislation in 2013, the local sector is ranked among the top 10 REIT markets globally.



Hyde Park Corner, Johannesburg, Gauteng

South Africa's listed property sector has produced an annualised return of 17,5% over the past 10 years, well above the return from other equities. Total returns for the 12 months to June 2016 continued that trend with only bonds (11,2%) outperforming listed property (9,6%). Hyprop's total return for FY16 was 12,5%.

Despite a challenging macro-economic backdrop, the threat of a sovereign credit downgrade, political uncertainty, Rand depreciation and rising interest rates, South African listed property funds like-for-like growth in net property income was 5,7%. Hyprop's like-for-like net property income growth for FY16 (from the South African portfolio) was 7,3%.

Property is a long-term asset class. However, the investor community generally has a short-term focus, which puts pressure on REITs to produce short-term dividend growth. To better balance these short-term needs with long-term sustainability, many SA REITs have increased their exposure to overseas assets, with some 48% of total assets now based offshore due to limited domestic opportunities and relatively low European funding rates.

The outcome of the UK referendum on European Union membership (commonly referred to as Brexit) had a material impact on property indices in the immediate aftermath, but volatility in the South African index has since subsided. Analysts believe South-Eastern Europe, where local funds (including Hyprop) are most exposed, will experience only a limited economic impact as these countries have few direct links to the UK and the associated risks are offset by recent fiscal improvements.

South Africa

South Africa is recording high population growth and urbanisation, with a growing middle class stimulating demand for retail space. The country now has over 2 000 shopping centres, spanning more than 23 million square metres of retail space. While global peer comparisons suggest that South Africa has more retail space than demand dictates, data proves that shopping centres offering a broader tenant mix (including national and international retailers, entertainment and catering/leisure) are attracting growing numbers of consumers.

South Africa's economic growth slowed further in 2016. From 2,2% in 2013 to 1,3% in 2015, the South African Reserve Bank's mid-year projection pegs GDP growth in 2016 at 0%, rising to 1,1% and 1,5% over the next two years.

Consumer spending is under pressure due to rising interest rates and inflation, reflected in slowing retail sales growth.



Sub-Saharan Africa

In contrast, Africa's economic growth was firm for the first half of the review period, with growth in real GDP of 3,6% entrenching it as the world's second-fastest growing economy (after East Asia). The relatively high economic growth rate of over 3% in West Africa, where Hyprop is invested in four shopping centres, is encouraging. However, global factors, chiefly low commodity prices and exchange rate volatility, will have an impact and we are monitoring conditions closely.

Generally, operating conditions in sub-Saharan Africa reflect weaker economies amid softer oil and commodity prices, local currency depreciation and country-specific issues. Although asset valuations and debt funding are both denominated in USD, tenant revenues are earned in local currency. This places local tenants under pressure at a time when consumers are battling with the impact of high inflation on disposable income. However, key cities where Hyprop is invested like Lagos, Accra, and Lusaka have recorded sustained economic growth, with further urbanisation, population growth and industrialisation.

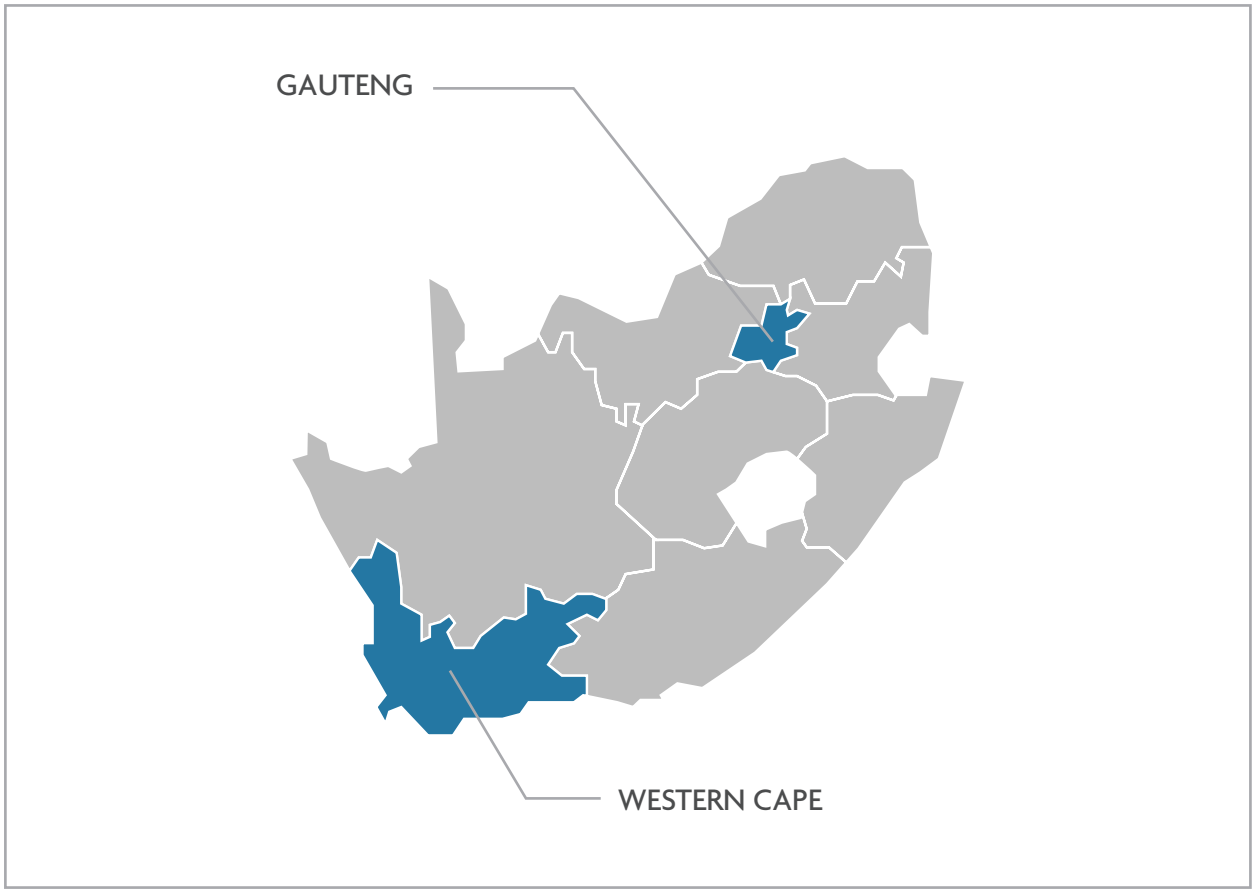
South-Eastern Europe

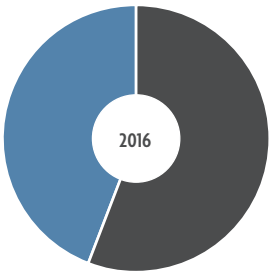
There has recently been a marked increase in investment activity, particularly in the retail sector, in core central and eastern European markets.

Hyprop entered Europe in 2016 by acquiring majority stakes in leading malls in Serbia and Montenegro. Both countries are recording solid economic growth, underpinned respectively by improving domestic demand and strong foreign direct investment inflows.

Sources:
Supporting data for this market overview has been drawn from analysts' reports, StatsSA, South African Reserve Bank and others.

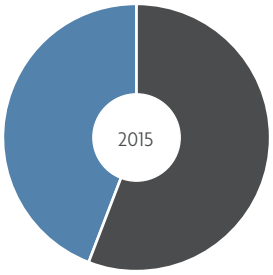
PROPERTY PORTFOLIO – SOUTH AFRICA





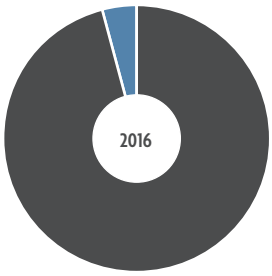
GEOGRAPHICAL SPREAD BY RENTABLE AREA

56% Gauteng
44% Western Cape



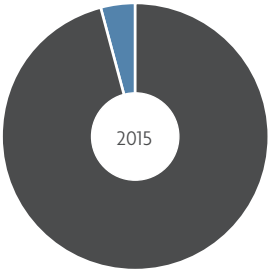
GEOGRAPHICAL SPREAD BY RENTABLE AREA

56% Gauteng
44% Western Cape



ASSET TYPE BY RENTABLE AREA

96% Retail
4% Office



ASSET TYPE BY RENTABLE AREA

96% Retail
4% Office

Geographical spread

Hyprop's portfolio is dominated by retail property in middle to high-income metropolitan areas, reinforcing its profile as a specialist shopping centre REIT. Post year-end, the number of retail properties decreased to 10, following the disposal of Somerset Value Mart.

Geographic and sectoral spread

	30 June 2016		30 June 2015	
	Rentable area m²	Revenue R000	Rentable area m²	Revenue R000
Gauteng	439 932	1 554 918	438 405	1 491 825
Western Cape	346 824	1 189 775	341 667	1 125 317
Total	786 756	2 744 693	780 072	2 617 142
Retail	752 625	2 667 615	745 686	2 544 016
Offices#	34 131	77 078	34 386	73 126
Total	786 756	2 744 693	780 072	2 617 142

 # Standalone offices

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 (906 tenants)

Tenant profile	% of rentable area	% of income
A grade	67	52
B grade	22	29
C grade	11	19

** Co-owned shopping centres included at 100%*

Top 10 tenants by rentable area

Rank	Tenant	% of total rentable area
1	Edcon Group	9,0
2	Woolworths	7,0
3	Massmart Group	6,8
4	Pick n Pay Limited	6,6
5	Foschini Group	4,1
6	Mr Price Group	3,6
7	Steinhoff Group	3,2
8	Nu Metro	2,3
9	Truworths Limited	2,2
10	Shoprite Holdings	2,1

Top 10 tenants by income

Rank	Tenant	% of total income
1	Edcon Group	6,7
2	Foschini Group	5,0
3	Massmart Group	3,6
4	Mr Price Group	3,4
5	Steinhoff Group	3,2
6	Truworths Limited	2,4
7	Pick n Pay Limited	2,3
8	Woolworths	2,2
9	Clicks Group Limited	1,7
10	Famous Brands	1,6

Weighted average rental per m² per month

Business segment	2016 average rental R/m²	2015 average rental R/m²	Growth %
Shopping centres			
Hyde Park Corner	376	373	0,9
Canal Walk	312	291	7,4
The Glen	259	242	7,1
Clearwater Mall	237	220	7,8
Somerset Mall	230	209	9,8
Rosebank Mall	219	194	12,9
Woodlands Boulevard	189	179	5,5
CapeGate	167	152	9,5
Value centres			
Atterbury Value Mart	168	159	6,1
Somerset Value Mart***	139	121	15,0
Willowbridge**	128	118	8,7
Average – total South African portfolio	225	209	7,6
Shopping centres	250	231	7,9
Value centres	149	138	7,8
Offices	123	120	2,8

*** Held-for-sale*
**** Sold post year-end*

PROPERTY PORTFOLIO – SOUTH AFRICA continued

Vacancy profile

Vacancies in the retail portfolio improved to 0,8% (2015: 1,3%). Vacancies in the office portfolio also improved to 4,5% (2015: 8,3%), mainly due to new lettings at Hyde Park Corner offices, Glenwood offices and Lakefield offices.

	30 June 2016		30 June 2015	
Vacancies	Total area available for leasing m²	Rentable area %	Total area available for leasing m²	Rentable area %
Retail				
Canal Walk	1 763	1,2	1 368	0,9
Clearwater Mall	449	0,5	0	0,0
The Glen	1 618	2,0	964	1,2
Woodlands Boulevard	0	0,0	0	0,0
CapeGate	132	0,2	902	1,4
Somerset Mall	0	0,0	1 087	1,6
Rosebank Mall	539	0,9	827	1,3
Hyde Park Corner	148	0,5	329	1,2
Willowbridge	233	0,6	1 674	4,2
Somerset Value Mart	495	3,9	1 987	15,8
Atterbury Value Mart	163	0,3	0	0,0
Retail total	5 540	0,8	9 138	1,3
Offices	3 382	4,5	6 247	8,3
Grand total	8 922	1,1	15 385	2,0

Weighted average retail escalation profile

	% of total portfolio	Rentable area m²	Rental growth %	Con-tractual escalation %	Number of leases
Retail	19,3	137 568	7,4	8,0	504
Offices	21,3	16 096	5,2	8,3	64
Total	19,6	153 664	7,3	8,1	568

Lease renewal process

	Rentable area m²	%
Lease still outstanding	6 346	4
Leases completed	153 664	96
Total	160 010	100

Lease expiry profile

By income	2016/2017 %	2017/2018 %	2018/2019 %	2019/2020 %	2020+ %
Canal Walk	15	16	18	12	39
Clearwater Mall	7	13	9	34	37
The Glen	26	15	13	19	27
Woodlands Boulevard	9	13	13	24	41
CapeGate	23	17	10	40	10
Somerset Mall	21	22	23	10	24
Rosebank Mall	6	7	34	21	32
Hyde Park Corner	21	13	22	16	28
Willowbridge	21	22	11	12	34
Atterbury Value Mart	22	21	20	12	25
Offices	39	26	12	7	16
Total	**17**	**16**	**17**	**19**	**31**

By rentable area	Vacancy %	2016/2017 %	2017/2018 %	2018/2019 %	2019/2020 %	2020+ %
Canal Walk	1,2	12	13	14	12	47
Clearwater Mall	0,5	4	9	4	37	46
The Glen	2,0	25	9	15	18	31
Woodlands Boulevard	0,0	9	7	8	23	53
CapeGate	0,2	21	12	5	44	16
Somerset Mall	0,0	14	19	28	9	30
Rosebank Mall	0,9	4	7	24	17	47
Hyde Park Corner	0,5	27	10	20	11	31
Willowbridge	0,6	23	17	8	8	45
Somerset Value Mart	3,9					
Atterbury Value Mart	0,3	26	19	20	10	24
Offices	4,5	30	22	10	7	13
Total	**1,1**	**16**	**13**	**14**	**18**	**36**

PROPERTY PORTFOLIO – SOUTH AFRICA continued

Canal Walk

Super regional

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

Region	Western Cape
Anchor tenants	Woolworths, Checkers, Dis-Chem, Edgars, Game, Pick n Pay
Retail rentable area	158 632m²
Stores	362
Footcount	20 592 363
Ownership	80%
Office rentable area	10 183m²
Parking bays	8 004
Manager	Gavin Wood



Clearwater Mall

Large regional

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

Region	Gauteng
Anchor tenants	H&M, Woolworths, Dis-Chem, Edgars, Game, Pick n Pay
Retail rentable area	86 867m²
Stores	231
Footcount	10 432 841
Ownership	100%
Parking bays	5 125
Manager	Lauren Meyer



The Glen

Large regional

A premium shopping destination of choice for affluent suburbs south of Johannesburg.

Region	Gauteng
Anchor tenants	Woolworths, Dis-Chem, Edgars, Game, Pick n Pay
Retail rentable area	79 704m²
Stores	185
Footcount	13 486 432
Ownership	75%
Parking bays	3 700
Manager	Glen Maboe



Woodlands Boulevard

Large regional

Nestled between eight exclusive residential estates in the east of Pretoria.

Region	Gauteng
Anchor tenants	Woolworths, Builders Warehouse, Dis-Chem, Edgars, Dion Wired, Food Lovers Market, Game, Pick n Pay
Retail rentable area	71 642m²
Stores	152
Footcount	8 183 775
Ownership	100%
Parking bays	4 200
Manager	Malize Jacobs



Somerset Mall

Large regional

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

Region	Western Cape
Anchor tenants	Woolworths, Dis-Chem, Edgars, Game, Pick n Pay
Retail rentable area	69 048m²
Stores	180
Footcount	10 784 396
Ownership	100%
Parking bays	4 047
Manager	Mandy Bellamy



CapeGate

Large regional

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

Region	Western Cape
Anchor tenants	Dis-Chem, Checkers, Edgars, Game, Pick n Pay, Woolworths, Ster-Kinekor
Retail rentable area	63 783m²
Stores	159
Footcount	10 469 767
Ownership	100%
Parking bays	2 897
Manager	Nicholas Oliphant



PROPERTY PORTFOLIO – SOUTH AFRICA continued

Rosebank Mall

Large regional

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

Region	Gauteng
Anchor tenants	Edgars, Woolworths, Dis-Chem, Clicks, Foschini, Planet Fitness, Pick n Pay, Stuttafords, Truworths
Retail rentable area	62 413m²
Stores	151
Footcount	12 130 917
Ownership	100%
Parking bays	2 200
Manager	Danie de Beer



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.

Region	Gauteng
Anchor tenants	Woolworths, Clicks, Dion Wired, Pick n Pay
Retail rentable area	39 088m²
Stores	121
Footcount	4 989 172
Ownership	100%
Office rentable area	10 505m²
Parking bays	1 730
Manager	Jacqui McGeehan



Atterbury Value Mart

Value centre

A convenient one-stop shopping destination in Pretoria.

Region	Gauteng
Anchor tenants	Builders Warehouse, Sportsmans Warehouse
Retail rentable area	47 785m²
Stores	91
Footcount	Not measured
Ownership	100%
Parking bays	2 135
Manager	Rendani Phaswana



Willowbridge*

Value centre

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

Region	Western Cape
Anchor tenants	Dis-Chem, Food Lovers Market, Pick n Pay, Woolworths, Builders Warehouse, Checkers
Retail rentable area	40 341m²
Stores	100
Footcount	Not measured
Ownership	100%
Office rentable area	2 474m²
Parking bays	2 167
Manager	Salome Thonnard



Somerset Value Mart**

Value centre

Situated in the scenic foothills of the Helderberg.

Region	Western Cape
Anchor tenants	Sportsmans Warehouse, Toys R Us, Fruit & Veg City, Hi-Fi Corp
Retail rentable area	12 546m²
Vacancy rentable area	3,9%
Stores	15
Footcount	Not measured
Ownership	100%
Parking bays	745
Manager	Mandy Bellamy



** Held-for-sale*
*** Sold post year-end*

Cradock Heights

Gauteng offices

Anchor tenants	Standard Bank, Actis, Hyprop, Starbucks
Office rentable area	4 468m²
Ownership	100%
Parking bays	88
Manager	Danie de Beer

Glenfield Office Park*

Gauteng offices

Anchor tenants	Bestmed Medical Scheme, Weavind & Weavind Inc, Trustlink
Office rentable area	10 320m²
Ownership	100%
Parking bays	577
Manager	Malize Jacobs

Glenwood Office Park**

Gauteng offices

Anchor tenants	Independent Development Trust, Strydom Britz Mohulatsi Inc, Direct Transact
Office rentable area	3 471m²
Ownership	100%
Parking bays	237
Manager	Malize Jacobs

Lakefield Office Park*

Gauteng offices

Anchor tenants	MMI Group, Pioneer Hi-Bred RSA, Optron
Office rentable area	15 872m²
Ownership	100%
Parking bays	730
Manager	Malize Jacobs

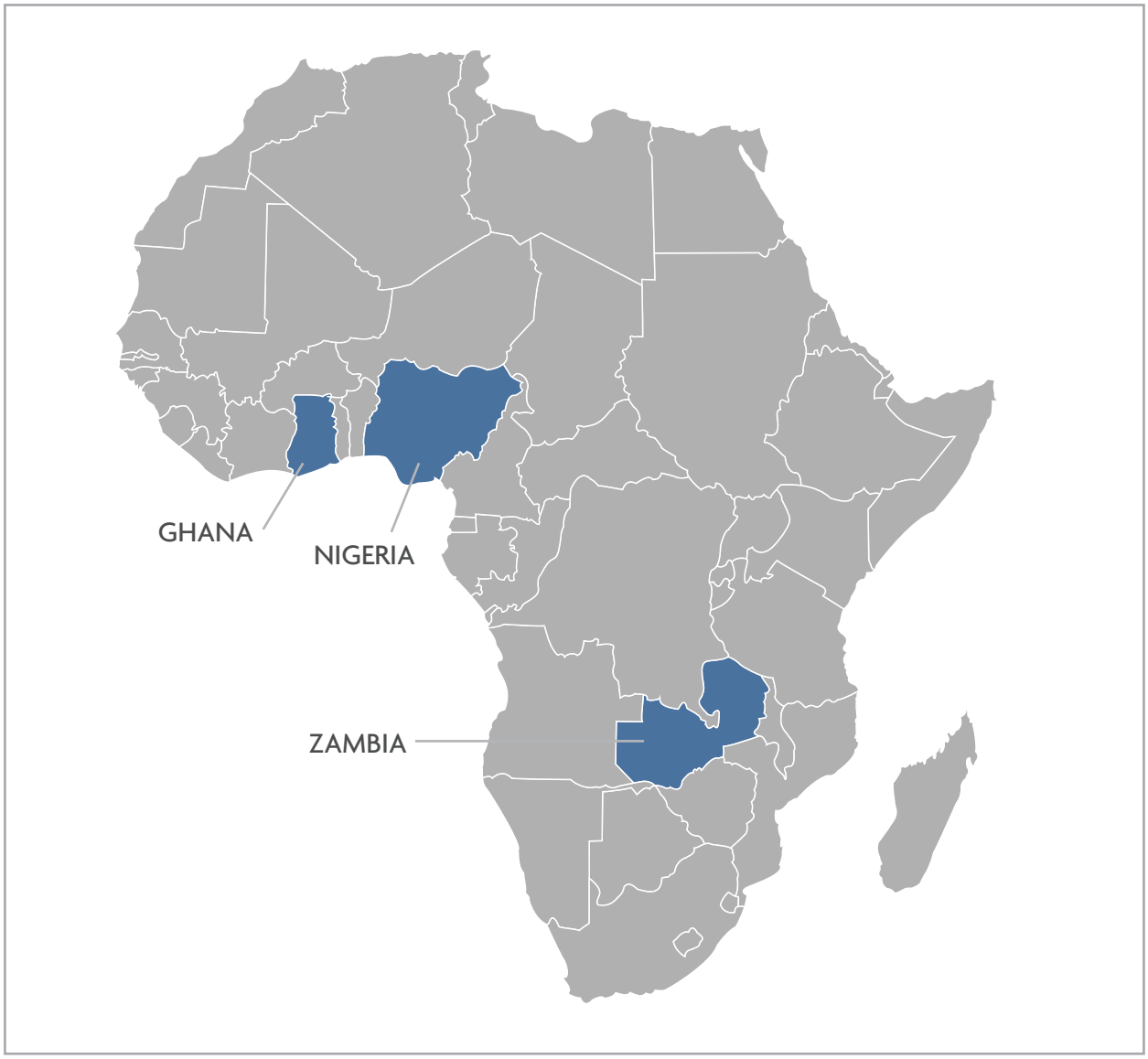
The Mall Offices

Gauteng offices

Anchor tenants	Sasol, Metorex, State Bank of India
Office rentable area	18 302m²
Ownership	100%
Parking bays	470
Manager	Danie de Beer

** Held-for-sale*
*** Sold post year-end*

PROPERTY PORTFOLIO – SUB-SAHARAN AFRICA (EXCLUDING SA)



Ikeja City Mall

Dominant mall in Lagos, Nigeria. The tenant mix includes South African brands such as Mr Price, Spur, MTN and international brands including Nike, Lacoste, Tommy Hilfiger, TM Lewin, Mango, iStore, KFC and Max.

City/country	Lagos, Nigeria
Anchor tenants	Shoprite, Silverbird Cinemas, Mr Price, Cash & Carry
Retail rentable area	22 223m²
Vacancy rentable area	2,3%
Stores	95
Footcount	8 152 035
Ownership	75,0%
Parking bays	745
Manager	Sonja de Necker



Manda Hill

This mall in Lusaka, Zambia, offers shoppers the ideal destination to fulfil their retail needs across local and international tenants.

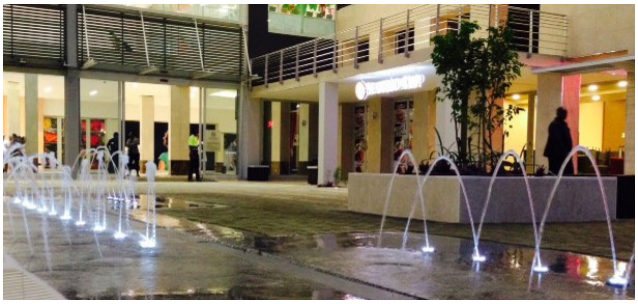
City/country	Lusaka, Zambia
Anchor tenants	Shoprite, Game, Woolworths
Retail rentable area	40 561m²
Stores	109
Footcount	11 079 066
Ownership	68,8%
Parking bays	1 434
Manager	Vusumzi Mdwara



West Hills Mall

The largest shopping centre in West Africa. Perfectly located on Winneba Road in New Weija (Accra, Ghana), it has brought formal retail to the local community since opening in October 2015.

City/country	Accra, Ghana
Anchor tenants	Shoprite, Palace
Retail rentable area	28 466m²
Stores	66
Footcount	5 625 072
Ownership	16,8%
Parking bays	1 145
Manager	Eric Osae Koranteng



Accra Mall

Well located on Spintex Road, Accra Mall is an enclosed, air-conditioned shopping centre. The mall houses international fashion brands and some South African retailers.

City/country	Accra, Ghana
Anchor tenants	Shoprite, Game
Retail rentable area	21 240m²
Stores	70
Footcount	6 524 774
Ownership	17,6%
Parking bays	870
Manager	Olympia K Agbodza



Achimota Retail Centre

Located in the town of Dome on the Accra-Nsawam Highway, this centre's contemporary design includes sustainability features such as grey-water harvesting, environmentally conscious landscaping and a building management system.

City/country	Accra, Ghana
Anchor tenants	Shoprite, Palace, Jet, Mr Price
Retail rentable area	15 170m²
Stores	46
Footcount	3 603 432*
Ownership	28,1%
Parking bays	587
Manager	George Boakye Sarpong



** Opened in November 2015*

PROPERTY PORTFOLIO – SOUTH-EASTERN EUROPE



Delta City Belgrade

A modern and well-established shopping centre in New Belgrade, the most densely populated municipality in the capital city.

City/country	Belgrade, Serbia
Anchor tenants	Maxi, C&A, H&M, Zara, Sportsvision, Dexy Co, New Yorker
Retail rentable area	29 876m²
Vacancy rentable area	–
Stores	127
Footcount	10 085 190
Ownership	60%
Parking bays	1 200
Manager	Zorana Tuce



Delta City Podgorica

A contemporary and dominant shopping centre, with a range of international retailers.

City/country	Podgorica, Montenegro
Anchor tenants	Aroma, Zara, Terranova, Cineplexx
Retail rentable area	23 729m²
Vacancy rentable area	–
Stores	80
Footcount	5 365 351
Ownership	60%
Parking bays	915
Manager	Zorica Miskovic Pavicevic



HYPROP'S HISTORY*

1988
- Listed on JSE with a portfolio comprising Hyde Park Corner, Boksburg Hypermarket and two office buildings – total asset value R94 million

2001
- Acquired an undivided one-third share in The Glen for R95 million

2002
- Acquired Rosebank Mall and adjacent mall offices – valued at R320 million
- Acquired an additional 16,8% stake in The Glen for R47,8 million

2003
- Acquired The Grace Hotel and offices for R32 million
- With Ellerine Bros, jointly acquired premier Western Cape shopping centre, Canal Walk, for R1,16 billion
- Disposed of eight smaller office blocks

2004
- Acquired an additional interest in The Glen, taking Hyprop's stake to 75,15%
- Raised R376 million in a rights offer, issuing nine million units

2005
- Acquired 45% of SA Retail Properties
- Southcoast Mall, jointly developed with Redefine Properties Limited, opened

2006
- With Vunani Properties, launched black-empowered Vunani Property Investment Fund
- Construction of Stoneridge Centre – development cost of R544 million

2007
- Disposal of interest in SA Retail for R1,1 billion
- Acquired 31,3% of Sycom Property Fund for R1,2 billion

2008
- Stoneridge Centre opened

2009
- Acquired 70% undivided share in Nedbank Gardens, for future redevelopment of Rosebank Mall

2009
- Acquired Cradock Heights in Rosebank, which became Hyprop head office (2012)
- Southern Sun Hyde Park Corner development completed

2010
Successful extensions completed at Canal Walk and The Glen – total cost of R479 million

2011
- Acquired Attfund Retail, increasing the portfolio to 12 shopping centres and doubling assets to R20 billion
- Disposal of The Grace Hotel

2012
- Rosebank Gardens site (formerly Nedbank Gardens) imploded to begin redevelopment of Rosebank Mall
- Disposal of 50% share in Southcoast Mall to Redefine Properties
- Disposal of Southern Sun Hyde Park Corner Hotel to Tsogo Sun

2012
- Moody's Investor Services rated Hyprop a national scale long-term issuer A3.za and short-term rating of Prime-2.za
- Co-invested in Mauritius-based Atterbury Africa, focused on investing in high-quality shopping centres in sub-Saharan Africa

2014
- Approved as a REIT by JSE from 1 July 2013
- Acquired Somerset Mall in exchange for Sycom units
- Acquired 87% of African Land, gaining exposure to Manda Hill in Lusaka, Zambia

2015
- 27 500m² West Hills Mall in Accra, Ghana, opens in November
- Redevelopment of Rosebank Mall completed in September 2014
- Included on JSE SRI Index
- Converted combined unit capital structure to an all-share structure

2015
- Hyprop added to MSCI Emerging Market Index, further increasing liquidity of shares
- Disposal of CapeGate Lifestyle, CapeGate Value Centre and Stoneridge Centre

2016
- Acquired Ikeja City Mall in Nigeria
- Acquired Delta City malls in Serbia and Montenegro
- Included on the FTSE/JSE Responsible Investment Index

** By financial year*

SUSTAINABILITY REVIEW





Clearwater Mall, Roodepoort, Gauteng

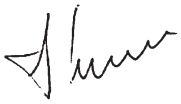
SOCIAL AND ETHICS COMMITTEE REPORT

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

- Good corporate citizenship – promoting ethical leadership, integrity and anti-corruption, sustainability and value creation, equality, prevention of discrimination and corporate social responsibility
- Environmental, health and safety matters
- Stakeholder relations
- Labour and employment, education and skills development
- Adoption of broad-based black economic empowerment (BBBEE) and employment equity.

Stakeholder value creation and sustainability drive Hyprop's strategy and daily operations. Management continually review operations and seek innovative technologies to reduce our already-low environmental footprint.

The group considers itself a good corporate citizen, as reflected in its initiatives to preserve environmental resources for the wider community through many Hyprop Foundation projects as well as the low turnover of our motivated employee base.



Mike Lewin
Social and ethics committee chairman



Hyprop Foundation – Book drive recipient

NATURAL CAPITAL: ENVIRONMENTAL IMPACT

Highlights

- 78% of waste recycled
- Cost savings of R24 million
- Third submission to CDP on carbon emissions
- Third participation in GRESB

As a landlord, our business has a low environmental impact, but we aim to further reduce this in daily operations. The execution, reporting and review of our environmental policy are monitored regularly by management and annually by the social and ethics committee.

After identifying the most relevant environmental impacts of our operations – specifically water, energy and waste – the group introduced an environmental strategy in 2014 (see below). This strategy explains how our approach is informed by best practice, proven methods, ease of implementation, and the benefit and cost of retrofitting green design principles to existing buildings. Identified opportunities include lower operating costs, reduced liability and risk of higher utility costs.

Our environmental strategy illustrates how Hyprop mitigates related impacts where possible and proactively manages natural resources.

PRIMARY TARGETS (BASELINE JUNE 2013)

TARGET

- Energy (electrical) consumption: average 1% reduction per annum across portfolio
- Water consumption: 4,5% reduction by 2016
- Recycling: 5,9% improvement across the portfolio (2013 baseline, 60%)
- Carbon emissions: in line with electricity consumption reductions

ACHIEVED

(July 2015 to June 2016)

- Electricity: 1,5% estimated reduction in 2016
- Water: 5% estimated reduction in 2016
- Recycling: 78% estimated in 2016 (up from 75% in 2015)
- Carbon emissions: 0,5% estimated reduction in 2016

LOOKING FORWARD

Electrical

- Eight energy-efficient LED projects planned, subject to budget approval
- Three photovoltaic projects identified for implementation in 2016 and 2017

Water

- Two sites will not get smart meters due to proposed sales, another four deferred as not critical
- Five sites already have bulk smart meters

Recycling

- Approaching optimal economic viability. Going beyond this will increase percentage of recycling but will be costly
- Carbon: scope 2 (landlord emissions) will decrease as energy-efficient projects are implemented

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 and considering best practice
- Enhance stakeholder engagement by exploring collaborative opportunities with large users
- 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

ACHIEVED

- At Rosebank Mall and Hyde Park, air-conditioning (AC) systems replaced with air-cooled condensers instead of water-cooled units
- LED lighting installed in common areas across the portfolio
- Only energy-efficient AC systems considered on replacement
- High-reflective roof paint used at Woodlands and to be used for repainting Atterbury Value Mart and Somerset Mall roofs
- Ecological stormwater attenuation dam system repaired at Willowbridge
- All tenant installations must comply with new SANS energy-efficiency regulations
- Human resources department rolling out Green Building Council training for centre and operations managers

FUTURE PROJECTS PLANNED

- Ongoing monitoring and training at property operational level on applying best practice principles in managing energy, water, waste
- Ongoing engagement with large national users of energy and water, and generators of waste material
- Consider green building principles where possible
- Develop a five-year plan for optimising our water resource (cost savings, reduce waste, water harvesting)

NATURAL CAPITAL: ENVIRONMENTAL IMPACT continued

International benchmarking

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

- CDP is acknowledged as the worldwide standard for environmental carbon 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
- GRESB is an industry-driven organisation that assesses the sustainability performance of global real estate portfolios (public, private and direct). It is used by institutional investors to improve the sustainability performance of their portfolios, and the global property sector.

Fines

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

Key environmental projects completed in 2016

We completed four projects costing R8,9 million, focused on 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 500kWh at peak, with generating capacity of 2,5GWh per annum.

Energy-efficiency initiatives

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

Total electrical consumption	2016	2015
Direct non-renewable energy consumption (GJ*), i.e. from diesel burnt	4 704	5 609
Direct renewable energy consumption (GJ) from solar PV	5 297	1 839
Indirect energy consumption (GJ), i.e. from electricity consumed	82 139	85 538
Indirect energy sold (GJ), i.e. electricity recovered from tenants	680 653	713 627
Electricity consumption (MWh)	274 605 343	287 066 328
Energy consumption (GJ) – calculated	762 793	797 406

** Gigajoules*

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

	2016	2015	2014
Energy use intensity (GJ/m^2)	1,07	1,27	1,31

Kilowatt hours per occupied space (m^2)	2016	2015	% change
Retail	353	357	(1,13)
Office	268	250	26,4

Determining our carbon footprint

To establish an accurate baseline, we determined the group's scope 1 and 2 carbon footprint using the 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 third time, submitting our carbon footprint for the 12 months to June 2016. KPMG independently audited our 2016 submission. Hyprop achieved an A-score (based on the new scoring chart which has more emphasis on actions to mitigate climate change than just reporting on carbon footprint). This is considered above average.

Hyprop's carbon disclosure

Total carbon emissions (tonnes of carbon dioxide equivalents, CO_2e) – calculated	2016	2015
Total carbon emissions include the following mix:	289 939	296 770
Scope 1**	7 096	3 260
Scope 2**	30 457	31 925
Scope 3**	252 386	261 585
Average volume of carbon emissions (scope 1 and 2) per hour worked (tonnes CO_2e/HW)	0,085	0,085

*** Scope 1: all direct GHG emissions*
Scope 2: indirect GHG emissions from consuming purchased electricity, heat or steam (scope 3 covers other indirect emissions, which for Hyprop are calculated as kWh purchased from the supply authority and resold to tenants)
Scope 3: 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 (CO_2). The tax is expected to be phased in from 2017 to help South Africa reduce its carbon footprint. The mooted figure is R120/tonne of CO_2, with a 40% scale for the first year. This is currently envisaged as an additional surcharge on each kWh consumed and equates to 12 cents per kWh.

Based on current advice from KPMG Services (climate change and sustainability division), Hyprop is not liable for any direct carbon tax at this stage.

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 in the case of renovations and upgrades, efficiency is a criteria in choosing technical equipment, for example (toilets, taps, and cooling systems).

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

Water measures	2016	2015	% change
Total water consumption (kilolitres (kℓ))	1 037 011	1 123 687	(7,7)
Average volume of water consumed per hour worked (ℓ/HW)	2 349	2 664	(10,3)
Target for water consumption, or reduction, against a specific denominator (ℓ/HW)	2 398	2 618	(10,0)
Retail: kℓ per occupied space (m^2)	1,15	1,7	(32,3)
Office: kℓ per occupied space (m^2)	0,97	0,32	203,1
Total: kℓ per occupied space (m^2)	1,31	1,6	(18,1)

Water intensity	2016	2015	2014
Water use intensity (kℓ per occupied space (m^2))	1,3	1,6	1,4

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 2016, Hyprop recycled 78% of total waste, up from 75% in 2015. While higher in percentage terms, lower group volumes reflect greater individual recycling efforts from our tenants.

Waste	2016	2015*	2014*
Total mass of non-hazardous waste disposed (tonnes (t))	5 646	6 165	6 362
Total mass of hazardous waste disposed (t)	43	34	35
Total mass of waste sent for recycling (t)	2 998	2 757	3 154
Waste sent for recycling (%)	34,5	30,8	33,0

** Numbers updated for comparison with 2016*

Recycling	2016	2015*	2014*
Number of loads ordered	7 293	6 790	6 469
Quantity of units collected (t)	68 166	64 240	83 619
Recycled (volume) (%)	78	75	67
Recycled (m^3)	64 861	60 033	64 655

** Numbers updated for comparison with 2016*

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.

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, notably Canal Walk
- Change in rainfall extremes – extreme rainfall can lead to increased leaks with damage to tenant and Hyprop property.

NATURAL CAPITAL: ENVIRONMENTAL IMPACT continued

Current energy and carbon emission savings initiatives

INITIATIVE	OBJECTIVE	PROGRESS/CURRENT ACTIVITIES
At Clearwater Mall, phase 2 PV plant increased to 1 500kWh and commissioned August 2015	Reduce carbon emissions and reliance on the grid	Total energy produced by phase 1 and 2 from 1 July 2015 to end April 2016 is 1,9GWh
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 were replaced in the review period using non-ozone-depleting R410 refrigerant and with unit performance co-efficients of 3,6. At Canal Walk, only one-third of planned units (32 units) were replaced with R410 refrigerant and energy-efficient inverter units. The balance was rolled over to FY17.
Modify thermostat set points and supply temperature for chiller water	Lower energy costs in winter and summer	Building management systems upgraded at CapeGate and Somerset Mall
Variable speed drives (VSDs) for heating, ventilation and AC systems	Match speed to required output to reduce consumption	Two faulty VSD drives replaced at CapeGate. VSD drives installed where practical
LED lighting and occupancy sensors	Improve lamp life and reduce required power factor correction	LED outside parking lighting installed at Woodlands Boulevard and Atterbury Value Mart
Implement preventive maintenance programmes on AC equipment	Ensure optimal operation of equipment	National service level agreement signed with third party for seven sites. Regional agreements signed for Pretoria sites. Remaining sites have signed agreements with local contractor or agent. All sites now covered by service level agreements
Peak energy demand reduction	Reduce power consumption in peak periods (premium tariff) and avoid expensive peaks, reducing the cost of consumption	Solar PV at Clearwater has reduced peak demand from 8 200kVA to under 7 000kVA. All power factor units serviced under contract, reducing kVA

Water efficiency initiatives

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

INITIATIVE	OBJECTIVE	CURRENT ACTIVITIES	PROGRESS
Smart metering	Improve measuring and monitoring of water consumption and identify leaks from unusual flow patterns	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	Save water and avoid abuse of infrastructure	All buildings monitored

HUMAN CAPITAL: EMPLOYEE DEVELOPMENT

Our people are key to our business performance. Our human resources strategy therefore focuses on attracting and retaining talented people who have the skills and leadership required for sustainable value creation.

We strive to be an employer of choice by encouraging our employees to reach their highest potential in an engaging, professional work environment. We reward performance excellence and address non-performance. While our employees are accountable for their individual actions, we support teamwork and the mutual exchange of knowledge, regardless of cultures, genders and background. We foster a culture of respect with zero tolerance for discriminatory behaviour.

We offer competitive remuneration, comprehensive training support and skills transfer. Performance targets, training and skills development are reviewed annually and aligned with the group's strategy.

Hyprop complies with employment laws and is committed to protecting human rights, ensuring that our code of ethics and disciplinary code are communicated to all employees.

Workforce breakdown

Total number of employees	2016	2015
Hyprop Investments Limited		
Permanent employees	232*	199
Contract and casual employees (mainly information kiosk and event staff)	47	43
Total Hyprop workforce	279	242
Employees who are permanent %	83	82
Employees belonging to a trade union %	–	–

** Marketing function brought in-house from 1 November 2015*

Employment equity (EE) and transformation

Our EE policy codifies and stipulates the promotion of equal opportunity and fair treatment by eliminating discrimination and implementing measures to redress disadvantages experienced by designated groups and ensure their equitable representation in all occupational categories.

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

Our challenge is that, due to extremely low employee turnover, very few vacancies become available.

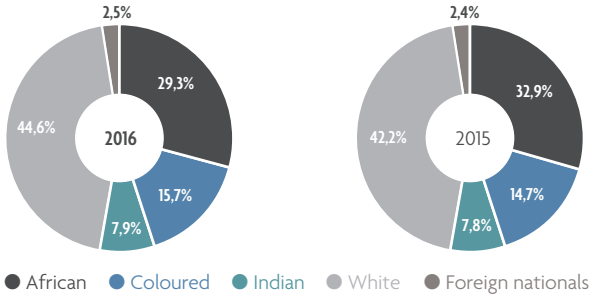
Employee engagement surveys

Annual employee engagement surveys ensure we timeously address any issues on employee morale, productivity and turnover. The 2016 survey indicated that 97% of employees currently feel that the company's benefits, processes and policies are implemented according to expectations. The survey included our recruitment process, corporate culture, employee policy implementation, HIV and Aids education, remuneration, company benefits as well as the work environment and facilities.

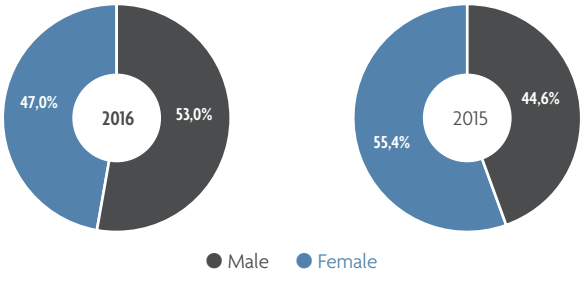
Employee retention

Motivated by an engaging work environment and competitive remuneration, the commitment of our people is reflected in high retention rates, especially at senior level. While low employee 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.

TOTAL EMPLOYEES BY DESIGNATED GROUPS



TOTAL EMPLOYEES BY GENDER



HUMAN CAPITAL: EMPLOYEE DEVELOPMENT continued

Employee retention	2016 Hyprop %	2016 Average service years	2015 Hyprop %	2015 Average service years
Top management	100	9	100	8
Senior management	100	7,4	91	7
Middle management	92	7,5	92	7
Administration	88	6	91	6
Maintenance	89	10,5	98	9,5
Total	91	6,3*	93	6,2

** Includes employees transferred from Word4Word (197 transfer, with original employment date used)*

Movement	Number of employees 2016	2015
Internal placements	19	7
New appointments	25	16
Dismissals	6	1
Resignations	15	13
Retirements	2	1
Section 197 transfers due to sale of asset		11
Section 197 transfer due to cancelled marketing contract	42	
Employee turnover (%)**	9	7

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

Employment equity statistics

	African %	Coloured %	Indian %	White %
New appointments	48	24	16	12
Section 197 employment contract transfer into company	10	17	0	73
Internal placements and promotions	21	32		47
Resignations	27	40		33
Dismissals	50	17	17	16
Retirement	–	50	–	50

Development and training

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

Training needs are identified during the employee review process, while 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***	2016 R	2015 R
Leadership	436 087	690 634
Business operations	482 633	536 753
Graduate programme	54 351	85 250
Green building leasing principles	59 928	9 789
Leasing and administration	4 500	63 000
Health and safety	31 818	6 406
HIV/Aids health training and information	213 941	52 349
Total	1 283 258	1 444 181

**** Actual training spend for the year was in line with budget*

Value of training

	2016					2015				
	Cost of training R	Training cost %	Number of people trained	Number of training sessions	Average spend per session R	Cost of training R	Training cost %	Number of people trained	Number of training sessions	Average spend per session R
African	218 108	17	94	225	969	152 392	10	83	249	612
Coloured	116 277	9	59	116	1 002	37 363	3	40	120	311
Indian	84 829	7	112	349	243	223 063	15	103	51	4 374
White	850 464	66	18	55	15 463	1 022 378	71	16	309	3 309
Foreign nationals	13 580	1	3	8	1 697	8 985	1	3	11	817
Total	1 283 258	100	286	753	1 704	1 444 181	100	245	740	1 952
Male	421 974	35	113	310	1 361	657 007	45	114	336	1 955
Female	861 284	65	173	443	1 944	787 174	55	131	404	1 948
Total	1 283 258	100	286	753	1 704	1 444 181	100	245	740	1 952

Additional human capital measures

	2016	2015
Total working days	70 168	55 352
Total number of person days lost due to absenteeism (sick, family responsibility and maternity leave)	1 177	1 321
Percentage of total person days lost due to absenteeism (%)	1,7	2,4
Total number of days lost due to industrial action	–	–
Percentage of total days lost due to industrial action	–	–

Employee relations

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

There were 11 disciplinary cases during the year, resulting in six dismissals. No grievances were 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' maternity leave pay (paid at 50% 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
- Free paid parking at all our management offices.

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. Policies are reviewed annually 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 the business from industrial or labour unrest during the year.

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 biannual audit reports, drawing on submissions from each centre.

HUMAN CAPITAL: EMPLOYEE DEVELOPMENT continued

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	2016	2015
Number of employees and contractors who received voluntary counselling and testing for HIV/Aids	533	247
Number of employees and contractors tested for HIV/Aids	258	200
HIV/Aids prevalence rate among employees (%)	6	5
Contracted employees tested for HIV/Aids	115	–
HIV/Aids rate among contractors (%)	6	–

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 determined the impact of HIV/Aids on the group as 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 offers counselling and encourages openness, acceptance and support.

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



Hyprop employees

SOCIAL AND RELATIONSHIP CAPITAL

Broad-based black economic empowerment (BBBEE)

Hyprop recognises that integrating transformation into business practice is crucial for the sustainability of the company and South Africa. As such, we support the aims of the property transformation charter.

The social and ethics committee is responsible for driving progress in specific areas of the BBBEE scorecard. Management is dedicated to substantially increasing BBBEE at all levels of our business to assist in redressing the imbalances of the past and empowering historically disadvantaged individuals.

New BBBEE codes were effective from 1 April 2015, but property sector-specific code adjustments were postponed to October 2015. The new certificate will be available online from November 2016.

Corporate social investment (the Hyprop Foundation)

Corporate social investment (CSI) takes place at group level through the Hyprop Foundation to ensure we focus on addressing identified needs in communities around our properties, or those affected by our business operations.

The foundation's long-term vision is to ignite a culture of sustainable projects for communities that support our business and to encourage our people and stakeholders to be involved.

In 2016, the Hyprop Foundation invested over R1,3 million in projects, primarily focused on education and community upliftment programmes.

Funding

The Hyprop Foundation's budgets and projects are approved and monitored by the social and ethics committee. In line with the foundation's vision, funding is generated through a system of "value shares". The shares are created by Hyprop employees and stakeholders (e.g. retail tenants) contributing their time and resources to identified initiatives and the value of involvement is converted to a funding value. The aim is to ignite a culture of involvement in the company and with its stakeholders.

The foundation categorises these value shares as:

Donation shares	Projects may require immediate donations of cash and products. Every tin of food, book or blanket collected counts as a donation share. A percentage of theatre productions and holiday events at shopping centres are allocated to project funding
Health shares	Healthy living and activities are encouraged. Every kilometre walked, run or swum for a cause at specified events is rewarded with health shares
Hour shares	When a Hyprop employee participates in a project, each hour worked translates into a predetermined Rand value for the foundation
Skills shares	Individuals with specific skills donate their time to initiatives that enhance community upliftment and skills transfer



Children participating in the MES gymnastics programme

SOCIAL AND RELATIONSHIP CAPITAL continued

The funding value contributed by Hyprop to the foundation for each share generated by employees and stakeholders in 2016 was over R1,4 million. All initiatives undertaken by the foundation comply with its philosophy and code of good practice, and fall into the following prioritised categories:

Spend per priority element	Target 2017 %	Target spend 2017 R	Actual 2016 %	Actual spend 2016	Actual BEE certification value earned 2016	Actual 2015 %	Actual spend 2015 R	Actual BEE certification value earned 2015 R
Education	67	1 073 000	68	911 941	1 076 091	56,2	649 061	1 514 811
Community upliftment	25	396 682	29	391 786	757 562	35,3	407 831	1 015 204
Health and wellness	3	41 000	1	5 400	353 456	0,3	3 401	107 860
Environmental upliftment	5	80 000	2	29 938	42 902	8,2	93 923	103 691
Total		1 590 682		1 339 065	2 230 011		1 154 216	2 741 566

The foundation revised its funding application during the year and considers the measurable impact before funding is allocated. Employee engagement is encouraged and employees can nominate projects and beneficiaries.

Measuring the return

Target 2017				Actual 2016			Actual 2015		
BEE certification value R	Hyprop Foundation budget R	Return value %	Funding to be raised through shares R	BEE certification value R	Hyprop Foundation actual spend R	Return value %	BEE certification value 2014/2015 R	Hyprop Foundation actual spend R	Return value %
2 661 623	1 590 682	167	1 600 000	2 230 011	1 339 065	167	2 741 566	1 154 216	238

Identifying beneficiaries

All potential beneficiary partners are screened by the Hyprop Foundation management committee and Hyprop remains involved in each initiative. The foundation management committee reviews all funding proposals, and the decision to proceed is based on the proposal's alignment to Hyprop's core business. The foundation faces a number of challenges given the overwhelming need for assistance in every community and resulting volume of applications – the aid requested often exceeds available funds, while rejecting applications that do not comply with the foundation's requirements can prove difficult.

For more information about Hyprop initiatives please view the Foundation report online.



Book donation recipient

INTELLECTUAL CAPITAL

Over the years, Hyprop has developed a significant base of intellectual capital. This is a competitive advantage in our industry, reinforcing both our ability to attract the desired calibre of skills to underpin long-term growth, and the success of the business.

Excellence is achieved through our particular areas of expertise which include consistency of management, proactive asset management, legal resources, leasing structures, information and technology management, and ongoing portfolio enhancement through extensions and refurbishments. We focus on open dialogue with shareholders and transparent investor relations. The success of this approach is reflected in the recognition received by Hyprop, such as inclusion on the FTSE/JSE Responsible Investment Index, winning the MSCI South Africa real estate investment conference awards and awarded "Good" in EY's "Excellence in Integrated Reporting Awards 2016".

To illustrate intellectual capital at work as well as harnessing technology to ensure operational effectiveness:

- Our single integrated electronic property management system offers multiple benefits:
  - Financial data (including accounting, leasing and retail information for all properties in our South African portfolio) centrally stored and hosted for secure access anywhere in the world on any device, including mobile
  - Processes are standardised and controlled more efficiently
  - Reduced cost and maintenance of expensive computer equipment
  - From a management perspective, the financial performance of each property, multiple properties or entire portfolios can be easily reviewed
  - Tenant and lease-related data can be viewed and compared throughout the portfolio
- We centrally monitor parking, footfall and tenant turnovers across the portfolio. In terms of footfall, monitoring the directional flow of shoppers assists in optimally locating tenants and improving the general flow of the mall
- Using social media – including smartphone apps and high-speed wi-fi at centres – facilitates timely communication and attracts more shoppers

GOVERNANCE REVIEW





Woodlands Boulevard, Pretoria, Gauteng

BOARD OF DIRECTORS

Hyprop's management team is a qualified and accomplished unit 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 policies, articulating the values and principles underpinning group actions.

Independent non-executive directors



Gavin Tipper *(51)*
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, nomination and investment



Ethan Dube *(57)*
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 corporate finance. In 1996, he founded Infinity Asset Management with three partners and, in 1998, founded Vunani Limited, a financial services company where he is currently chief executive officer.
Appointed: 2006
Committee: Remuneration (chair) and nomination



Lindie Engelbrecht *(41)*
CA(SA)
Lindie is the newly appointed executive director: members and global alliances at SAICA.

Her previous roles include director at Ernst & Young in the climate change and sustainability services, chief executive officer of the Institute of Directors and director at KPMG focusing on governance and assurance. She has also served on various NPO boards and audit committees.
Appointed: 2011
Committees: Audit (chair), risk, remuneration and nomination



Thabo Mokgatlha *(41)*
CA(SA)
Thabo began his career as a senior lecturer in accounting and taxation at the University of the North West. He 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



Mike Lewin *(61)*
BCom, BAgric management
Mike has over 26 years' experience in the property industry and headed the group retail division of Redefine Properties Limited until December 2013. He was with Edgars Consolidated Stores Limited for 18 years, as its property development executive.
Appointed: 2010
Committee: Social and ethics (chair)

Non-executive directors



Stewart Shaw-Taylor *(64)*
CA(SA)
Stewart has more than 32 years' experience in investment banking and real estate. Prior to his retirement at Standard Bank he was head of Real Estate Investments: Corporate and Investment Banking, responsible for the equity-related real estate activities undertaken by the division. He currently serves on a number of listed and unlisted boards.

Appointed: 2000
Committees: Risk (chair), remuneration and nomination, investment



Louis Norval *(60)*
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 is currently a non-executive director of Capital & Regional plc.
Appointed: 2011
Committee: Investment



Kevin Ellerine *(48)*
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

Executive directors



Pieter Prinsloo *(51)*
Chief executive officer
BSc (QS)
Pieter was chief executive officer of Hyprop from 2002 to 2009, and was reappointed in May 2011. A quantity surveyor, he has been involved in every aspect of property development, management and finance for over 21 years, including senior positions at Sanlam Properties, Standard Bank Properties and Absa Commercial Property Finance.
Appointed: 2011
Committees: Investment (chair), social and ethics, risk



Laurence Cohen *(43)*
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

CORPORATE GOVERNANCE

Approach to corporate governance

Our approach to corporate governance is based on the values and principles that underpin our day-to-day activities, 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 our business.

Applying governance principles

The board of directors is committed to applying the recommendations of King III, complying with the JSE Listings Requirements and Companies Act, as well as incorporating relevant standards of best practice. The board ensures that it acts in the best interest of the company.

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.

Hyprop has elected to participate in the Institute of Directors Southern Africa's (IoDSA) governance assessment instrument, achieving the highest application score of AAA.

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 not 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

Please view the full report on compliance with each of the King III principles online (www.hyprop.co.za).
See pages 78 – 81 for application of chapter 2 principles.

Ethical leadership and corporate citizenship

Hyprop's board and management team provide effective leadership and supervision based on ethical imperatives. They 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.

The board is guided in all matters by the board charter, which sets out its responsibilities. Please view the board charter online.
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. Its social and ethics committee 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 includes regular call analysis to enable Hyprop to investigate all allegations promptly. Formal reports on matters that may affect financial performance are submitted to the audit committee. One report was received during the period, which was appropriately addressed.

Composition of the board

Hyprop's board comprises 10 directors: five independent non-executives, three non-executives, and two executive directors.

Our non-executive directors' diverse experience in commerce and industry 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 Hyprop's daily operations.

Hyprop has processes in place to ensure directors have no conflicts of interest in fulfilling their duties. If conflicts do exist, they are properly declared and dealt with in line with regulations. 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 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, with input from other directors. The chief executive officer and financial director are responsible for implementing strategy and operational decisions and operate within a delegation of authority.

COMMITTEE STRUCTURE				
AUDIT	**RISK**	**SOCIAL AND ETHICS**	**INVESTMENT**	**REMUNERATION AND NOMINATION**
MEMBERS	**MEMBERS**	**MEMBERS**	**MEMBERS**	**MEMBERS**
Lindie Engelbrecht (chair*) Gavin Tipper Thabo Mokgatlha	Stewart Shaw-Taylor (chair*) Lindie Engelbrecht Pieter Prinsloo Laurence Cohen	Mike Lewin (chair*) Pieter Prinsloo Vasti Booysen Karin Eichhorn Desirée Nafte Steven Riley	Pieter Prinsloo (chair) Stewart Shaw-Taylor Laurence Cohen Louis Norval Kevin Ellerine Gavin Tipper	Ethan Dube (chair*, remco matters) Gavin Tipper (chair*, nomco matters) Lindie Engelbrecht Stewart Shaw-Taylor
RESPONSIBILITIES	**RESPONSIBILITIES**	**RESPONSIBILITIES**	**RESPONSIBILITIES**	**RESPONSIBILITIES**
Reviewing accounting, auditing, internal audit and financial reporting matters	Implementation and monitoring of an appropriate risk policy	Monitoring Hyprop's activities in terms of social and economic development, good corporate citizenship, health and public safety, consumer relationships, and labour and employment	Assisting the board in considering opportunities for acquisitions, disposals and other corporate activity. Approving acquisitions, disposals and capital expenditure in line with its limits of authority and the strategy determined by the board	Ensuring that Hyprop's remuneration policies and practices support the group's strategic objectives and encourage individual performance; to build long-term value through fair and balanced remuneration

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

Please view committee charters online.

Board changes

Louis van der Watt resigned from the board effective on 4 May 2016.

Board appointment process

With support from the remuneration and nomination committee, the board is responsible for new appointments, using 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; and given unrestricted access to company information.

In terms of the Memorandum of Incorporation (MOI), the appointment of new directors is confirmed by shareholders at the next annual general meeting.

Rotation of directors

Hyprop's MOI 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 Pieter Prinsloo, Lindie Engelbrecht and Mike Lewin.

Director development

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

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 of current directors meets succession requirements.

CORPORATE GOVERNANCE continued

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, are sufficiently qualified and skilled to act in accordance with, and update directors on, the recommendations of King III, the Companies Act and other relevant regulations and legislation.

The board reviews the relationship between the company secretary and the board and its committees annually. It 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 or any subsidiary companies. The company secretary is not a director of Hyprop or a material shareholder of the company or any of its 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 include:

- Guiding directors, collectively and individually, on their duties, responsibilities and powers
- Providing information on legislation, regulations and relevant matters of ethics and good corporate governance
- Recording the minutes of meetings, including attendance registers, resolutions, directors' declarations of personal and financial interests and all notices and circulars issued by the company
- Preparing the notice of annual general meeting
- Assuming responsibility for filing annual and other returns with Companies and Intellectual Property Commission (CIPC) 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 independent criteria of King III. The board was evaluated in February 2016.

The board and its committees formally evaluate their performance on an annual basis and any issues which are identified through the evaluation process are appropriately addressed.

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.

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, the 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.

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 75.

The board is satisfied that all committees have fulfilled their responsibilities during the year, in terms of 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 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 provided to all board members. In addition, the board chairman and chairman 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 are supplied in advance, ensuring directors can make well-researched and reasoned decisions. The investment committee meets periodically as required.

Attendance at board and committee meetings for the review period (1 July 2015 to 30 June 2016) is reflected below.

	BOARD	AUDIT	RISK	REMUNERATION AND NOMINATION	SOCIAL AND ETHICS	INVESTMENT
Independent non-executive directors						
GR Tipper (chairman of the board)	5/5	3/3	2/2[e]	2/2	2/2[e]	5/5
EG Dube[c]	4/5			2/2		
L Engelbrecht[a]	5/5	3/3	2/2	2/2		
TV Mokgatlha	4/5	3/3				
MJ Lewin[d]	5/5				2/2	
LLS van der Watt[f]	3/4					1/5
Non-executive directors						
KM Ellerine	5/5					5/5
L Norval	5/5					4/5
S Shaw-Taylor[b]	5/5		2/2	2/2		4/5
Executive directors						
PG Prinsloo (CEO)	5/5	3/3[e]	2/2	2/2[e]	2/2	5/5
LR Cohen (FD)	5/5	3/3[e]	2/2	2/2[e]	2/2[e]	5/5

[a] *Chair audit committee*
[b] *Chair risk committee*
[c] *Chair remuneration and nomination committee*
[d] *Chair social and ethics committee*
[e] *By invitation*
[f] *Resigned 4 May 2016*

Compliance with laws, rules, codes and standards

The national legal executive and executive management ensure that Hyprop complies with all current regulations and legislation, liaising closely with the company's sponsor. If there are areas of non-compliance, these 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 periodically and includes on its agenda for discussion the property sector charter, with particular focus on transformation and related issues.

Legislation/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 1962
- Promotion of Access to Information Act 2 2000
- Protection of Personal Information Act 4 2013
- Protected Disclosures Act 2000
- Securities Services Act 36 of 2004

As Hyprop is a listed REIT, it is required to comply with the JSE Listings Requirements and rules specific to REITs in South Africa.

Anti-competitive behaviour

Hyprop has not been party to any legal actions for anti-competitive behaviour or monopoly practices in 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

KING III APPLICATION (CHAPTER 2)

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 each annual general meeting.	Applied
2.7	The board should be responsible for the governance of risk.	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: • 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
2.8	The board should be responsible for IT governance.	The board, through the risk committee, is responsible for ensuring an effective response to 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, assisted by the risk committee, ensures Hyprop complies with applicable laws and considers adhering to non-binding rules and standards.	Applied
2.10	The board should ensure there is an effective risk-based internal audit.	The outsourced internal audit service provider PricewaterhouseCoopers (PwC) offers an independent, risk-based internal audit function. The internal auditor reports directly to the audit committee and attends all audit committee meetings, as an invitee.	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 operations and enables the board 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 annual report.	The audit committee oversees integrated reporting and is responsible for recommending this report to the board for approval.	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 the service provider monitors its performance and approves 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 proceedings 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 and board review the application of the going-concern principle, as well as the solvency and tests, as set out in the Companies Act.	Applied

KING III APPLICATION (CHAPTER 2) continued

PRINCIPLE	BOARD REQUIREMENT	COMMENT	APPLIED/ PARTIALLY APPLIED/NOT APPLIED
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 lead the board and encourage and allow adequate debate at board level.	Applied
2.17	The board should appoint the chief executive officer and establish a framework for delegation of authority.	The board appointed Pieter Prinsloo as chief executive officer and has approved a framework for delegation of authority. The chief executive officer 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 (eight) of directors are non-executive, with five categorised as independent. The company's Memorandum of Incorporation provides for one-third of directors to retire by rotation after a three-year term of office.	Applied
2.19	Directors should be appointed through a formal process.	There is a formal and transparent process for appointing directors. The remuneration and nomination committee assists with the process of identifying suitable candidates to be proposed for appointment to the board.	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 business 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 and competent. 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 February 2016.	Applied

PRINCIPLE	BOARD REQUIREMENT	COMMENT	APPLIED/ PARTIALLY APPLIED/NOT APPLIED
2.23	The board should delegate certain functions to well-structured committees, but without abdicating its responsibilities.	Without abdicating its own responsibilities, the board delegates certain functions to the: • Audit committee • Risk committee • Investment committee • Remuneration and nomination committee • Social and ethics committee Each committee has a formal charter approved by the board that is reviewed regularly.	Applied
2.24	A governance framework should be agreed between the group and its subsidiary boards.	All company 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 is disclosed in note 23 to the financial statements.	Applied
2.27	Shareholders should approve the company's remuneration policy.	Details of the remuneration policy are on pages 84 to 88. 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

REMUNERATION REVIEW





Rosebank Mall, Johannesburg, Gauteng

REMUNERATION REPORT

Philosophy

As an internally managed REIT, the guiding principle for our remuneration philosophy is to promote the achievement of the company's strategic objectives, encourage individual performance and reward sustainable value creation. Given that employee skills are vital to long-term value creation, our approach emphasises the contribution of our employees to building long-term value through fair and balanced remuneration.

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.

Remuneration committee

The remuneration committee meets at least twice a year and comprises non-executive directors with a majority of independent non-executives. The chief executive officer and other directors or executives may attend meetings by invitation, but are excluded from deliberations on their individual remuneration.

The 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 long-term growth
- Stakeholders are able to make informed assessments of reward practices and governance processes
- Compliance with all applicable laws and regulatory codes.

A formal charter codifies the tasks and responsibilities of the committee. Updates to the charter to effect application of the recommendations of the King III report, or other identified good practice, are approved during the year. The committee is aware of the pending implementation of King IV and will make changes or amendments to the group remuneration report, where practical and applicable, in light of the requirements of King IV. The committee chairman attends the annual general meeting of the company to liaise with shareholders on matters under the ambit of the committee.

The remuneration committee is responsible for:

- Reviewing and recommending to the board Hyprop's remuneration philosophy and policies for directors and staff
- Ensuring the remuneration strategy reflects the interests of stakeholders, is comparable to the sectoral remuneration environment, and complies with relevant principles of good corporate governance
- Considering whether the objectives of the remuneration policy have been achieved
- Ensuring the ratio of fixed and variable pay – in cash, benefits and shares – is aligned with the company's strategic objectives
- Reviewing the effectiveness of recorded performance measures that govern the vesting of incentives
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Considering the performance of the chief executive officer and financial director, as directors and as executives, when determining their remuneration
- Selecting an appropriate peer group when comparing remuneration levels
- Regularly reviewing incentive schemes to ensure alignment with shareholder interests and that they are administered in terms of their rules
- Advising on the remuneration of non-executive directors.

The committee uses the services of independent advisers as required. During the year, these advisers supplied market data and advice on market practice and governance, and provided analyses on certain performance measures.

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 recommendations to the board which, in turn, proposes fees for approval by shareholders at the annual general meeting.

Remuneration for non-executive directors comprises a base fee, predetermined annually and approved 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:

Basic salary

All basic salaries are market related, benchmarked against the median industry norms and adjusted for an employee's experience, qualifications, responsibilities and nature of work. These are reviewed annually.

Long-term incentives (LTI)

Current plan: Conditional Unit Plan (CUP)

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

Conditions for the performance component of the LTI are shown below:

Performance condition	Detail	Weighting %	Threshold %	On-target %	Stretch %
Growth in distribution/ dividend per share relative to peer group*	Growth in distribution per share at the end of performance period compared to prior financial year.	40	95	102,5	110
Share price performance relative to peer group*	Growth in share price from start to end of performance period.	40	95	105	120
Strategic component	Determined by 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*

Awards are offered to executives, senior managers, operational and financial managers and staff with specific core, critical or strategic skills and allocations are approved by the remuneration committee. Performance shares vest three years after initial allocation, provided the relevant performance conditions have been met.

	Date of issue	Offered to	Number of employees participating	% of staff complement
First reward issue	1 January 2014	Executives, senior managers, operational and financial managers and staff with specific core, critical skills	27	13
Second reward issue	1 July 2014	As above	26	13
Third reward issue	1 July 2015	As above	26	13

Retention scheme terms

Retention shares vest five years after initial allocation, subject to continuous employment over the vesting period.

Participants do not pay for the shares, and will only be eligible to receive dividends after shares have vested.

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.

Short-term incentives (STI)

An annual performance bonus aligns short-term rewards with annual performance and supports retention. Performance reviews are weighted significantly to output. The remuneration committee sets key performance deliverables (KPDs) annually at property and company levels, including deliverables for executive directors. 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 arrears collections and management
- Tenant deposit and bank guarantee management
- Documentation administration.
- Environmental impact targets
- BBBEE implementation targets.

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

The maximum potential 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 remuneration committee's discretion.

Short-term incentive outcomes (STI)

Individual performance reviews are conducted annually, with biannual company key performance deliverable reviews measured against targets. Employees are rewarded on the outcome of these reviews. Bonuses and salary increases are approved by the remuneration committee. Bonuses are payable in December and salary increases implemented from January each year.

Individual performance reviews are completed on the company's employee self-service system after performance discussions with the employee's line manager.

REMUNERATION REPORT continued

Individual performance reviews include:

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

Company key deliverable review targets

The executive committee sets key performance deliverables annually at property and company levels. These are approved by the remuneration committee each year.

Performance against the company deliverable targets carries a 90% weighting, while individual reviews carry a 10% weighting at executive and senior management level.

Key performance deliverables for 2016 were:

	Weighting %	Performance on target	Stretch target	KPI outcome %	Performance achieved
Financial: net distributable income growth	33	8% net income growth year-on-year	10% and above	130	14,2% net distributable income growth year-on-year[1]
Financial budget management	28	On budget	Exceed budget by 3%	130	Exceeded budget by 5,2% [1]
Leasing: vacancy movement, rentals, escalations and administration	18,5	Vacancy movement: 0% movement year-on-year. Rentals sustained at same rate. Rental escalation on new leases 8,9%. Rental escalations on renewals 5%. Administration: 2% outstanding documentation.	Vacancy movement – reduced by 5% or more. Rentals achieved 7,5% more than previous rate. Rental escalation on new leases 10% or more. Rental escalations on renewals 7,5% or more than previous rate. Administration 0% outstanding documentation.	100	Reduced vacancies by 45%. Retail rentals 7,0% more than previous rental achieved. Office rentals less than previous rental achieved. 8,1% escalations achieved. 15% of lease documentation still in process.[2]
Tenant arrears: deposits and total outstanding	6,5	Total outstanding tenant arrears: 2% outstanding as a % raised of rent roll. Deposits: 3% outstanding as a % of deposits raised.	Total outstanding tenant arrears: 0% outstanding as a % of rent roll raised. Deposits: 0% outstanding as a % of deposits raised.	115	0,50% outstanding arrears compared to what was raised on tenant statement.[2]
Operations: masterfile, waste recycling and energy saving	7	Masterfile: 90% complete. 70% waste recycled. 3% kWh energy saving.	Masterfile 100% complete. 75% waste recycled. Energy saving 5% or more kWh saving.	120	92,1% masterfiles complete. 78% waste recycled. 3% kWh energy saving.[2]
Trading density	2	1% increase year-on-year	Exceeds 3% increase year-on-year	130	5,2% trading density growth[2]
Footfall	1	1% increase year-on-year	Exceeds 3% increase year-on-year	85	0,4% decrease year-on-year[2]
BBBEE: procurement	3	60% of all procurement are from companies with a BEE level of 1 to 4	70% of all procurement are from companies with a BEE level of 1 to 4	130	84,5% procurement from companies with a BEE level of 1 to 4[2]
BBBEE: employment	1	50% of all new appointments are black	61% and more of all new appointments are black	130	88% new appointments were black[2]
Total	**100**			**121**	

[1] Based on the group portfolio
[2] Based on SA portfolio only
[3] Subject to the final ratification by the remuneration committee in November 2016

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)

Non-executive directors' remuneration

	June 2016 R000	June 2015 R000
Directors' remuneration		
Independent non-executive	**2 399**	2 117
Ethan Dube (paid to Vunani Capital Proprietary Limited)	334	284
Lindie Engelbrecht	535	471
Gavin Tipper	562	490
Louis van der Watt* (paid to Atterbury Property Holdings Limited)	233	235
Mike Lewin	334	284
Thabo Mokgatlha	401	353
Non-executive	**1 040**	847
Kevin Ellerine	314	252
Louis Norval	306	245
Stewart Shaw-Taylor	420	350

** Louis van der Watt resigned from the board of Hyprop on 4 May 2016*

Executive directors' remuneration

	June 2016 R000	June 2015 R000
Pieter Prinsloo		
Basic salary	3 672	3 464
Performance bonus (paid in December)	3 710	2 625
Phantom share scheme[1]	3 454	3 436
Pension fund contributions	173	141
Other benefits	122	33
Total	**11 131**	9 699
Laurence Cohen		
Basic salary	2 089	1 958
Performance bonus (paid in December)	2 332	1 650
Pension fund contributions	362	296
Other benefits	69	82
Total	**4 852**	3 986
Executive directors' remuneration	**15 983**	13 685

[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 was 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 received an award equivalent to the increase in the market value of the Hyprop share over the initial price. This award was paid in four payments within 30 days after the date on which the relevant payment was calculated.

The payment was calculated as follows:
Cash bonus = 1/4 AS x (P - IP) - 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 was not greater than the initial price, no payment was made. The award was only applicable if the employee was in the employ of Hyprop on the payment date. No "phantom" Hyprop shares were in issue at 30 June 2016 (2015: 222 222).

The phantom share scheme has expired, no further payments will be made in terms of the Phantom share scheme.

REMUNERATION REPORT continued

Disclosure of CUP* – Pieter Prinsloo and Laurence Cohen

	Conditional shares granted	Date issued	Vesting date
Pieter Prinsloo			
Performance shares	20 153	1/1/2014	1/1/2017
Retention shares	8 637	1/1/2014	1/1/2019
Performance shares	21 845	7/1/2014	7/1/2017
Retention shares	9 362	7/1/2014	7/1/2019
Performance shares	15 794	7/1/2015	7/1/2018
Retention shares	6 769	7/1/2015	7/1/2020
Total	**82 560**		
Laurence Cohen			
Performance shares	11 105	1/1/2014	1/1/2017
Retention shares	4 759	1/1/2014	1/1/2019
Performance shares	11 769	7/1/2014	7/1/2017
Retention shares	5 044	7/1/2014	7/1/2019
Performance shares	8 509	7/1/2015	7/1/2018
Retention shares	3 647	7/1/2015	7/1/2020
Total	**44 833**		

** To date, no shares have vested for the two executive directors*

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 permanent employees		Net operating income per employee		Net distributable income per employee	
2016	2015	2016 R000	2015 R000	2016 R000	2015 R000
232	199	7 076	7 029	6 561	6 631
		1% increase year on year		(1%) decrease year on year	

Total compensation paid to employees**

	2016 R000	2015 R000
Total salaries paid		
Total compensation paid to employees	123 295	109 519
Average annual payment per employee	455	456

*** Including permanent, temporary and contract employees*

Employees earning above the Basic Conditions of Employment Act (BCEA) threshold received an average 6% annual salary increase from 1 January 2016.

Employees earning below the BCEA threshold received an average 7% salary increase from 1 January 2016.



Clearwater Mall, Roodepoort, Gauteng

GROUP ANNUAL FINANCIAL STATEMENTS





Canal Walk, Cape Town, Western Cape

CONTENTS

for the year ended 30 June 2016

Group annual financial statements

Approval of the group annual financial statements	93
Declaration of company secretary	93
Report of the audit committee	94
Directors' report	95
Independent auditor's report to the shareholders of Hyprop Investments Limited	97
Statement of financial position	98
Statement of profit or loss and other comprehensive income	99
Statement of changes in equity	100
Statement of cash flows	101
Notes to the financial statements	102
Segmental analysis	152

Shareholder information

Shareholder analysis	156
Shareholders' diary	IBC
Distribution details	IBC
Administration	IBC

Separate booklet

Notice of annual general meeting and proxy

APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

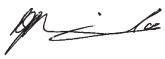
The group annual financial statements in the integrated annual report are the responsibility of the directors. They are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing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

The group annual financial statements have been prepared on the going concern basis as the directors have every reason to believe the company, and its subsidiaries, have adequate resources to continue operations for the foreseeable future.

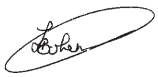
The external auditors are responsible for independently auditing and reporting on the group financial statements in conformity with International Standards on Auditing. Their report is set out in the independent auditor's report.

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

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



Pieter Prinsloo
Chief executive officer



Laurence Cohen
Financial director

Johannesburg
2 September 2016

DECLARATION OF COMPANY SECRETARY

for the year ended 30 June 2016

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
2 September 2016

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2016

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 of the committee.

Gavin Tipper, whose dual role as chairman of the board of directors and member of the audit committee, is specifically approved by shareholders at the annual general meeting of the company.

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
- Considered the JSE pro-active monitoring process in respect of IFRS compliant financial statements.

The audit committee is satisfied:

- With the independence of the new external auditor, KPMG Inc., after considering the report to the audit committee motivating its independence
- With the terms, nature, scope and proposed fee of the external auditor for the year ended 30 June 2016
- With the financial statements and accounting practices used in their preparation and has recommended the integrated annual report, including the group annual 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 group's annual financial statements, were considered by the audit committee and dealt with as appropriate.



Lindie Engelbrecht
Audit committee chair

2 September 2016

DIRECTORS' REPORT

for the year ended 30 June 2016

The directors have pleasure in submitting their report, which forms part of the group annual financial statements, for the year ended 30 June 2016.

Responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Hyprop Investments Limited, comprising the statement of financial position at 30 June 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

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

Introduction

Hyprop, Africa's leading specialist shopping centre Real Estate Investment Trust (REIT), operates a portfolio of shopping centres in major metropolitan areas across South Africa (SA), sub-Saharan Africa (excluding SA) and South-Eastern Europe.

Hyprop's strategy is to own dominant, quality shopping centres in emerging markets, where such assets can be acquired or developed at attractive yields.

The core portfolio in South Africa includes 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 sub-Saharan African portfolio (excluding SA) includes interests in Accra Mall, West Hills and Achimota Mall (all in Accra, Ghana), Manda Hill Centre in Lusaka, Zambia and Ikeja City Mall in Lagos, Nigeria.

In February 2016, Hyprop expanded into South-Eastern Europe, with the acquisition of 60% interests in Delta City Belgrade, Serbia and Delta City Podgorica, Montenegro.

Strategy

Hyprop's focus remains to invest in high-quality shopping centres in emerging markets, with a particular focus on shopping centres in primary cities which dominate their chosen markets.

Directors' interests

The interests of directors in the shares of the company at 30 June 2016 were:

	June 2016 beneficial		June 2016 non-beneficial	June 2015 beneficial		June 2015 non-beneficial
	Direct	Indirect	Indirect	Direct	Indirect	Indirect
Non-executive						
Gavin Tipper	4 000			4 000		
Louis Norval			3 500 000			3 789 869
Stewart Shaw-Taylor	21 500			21 500		
Kevin Ellerine		378 000			42 666	
Executive						
Pieter Prinsloo		305 049			305 049	
Laurence Cohen		160 154			160 154	
	25 500	843 203	3 500 000	25 500	507 869	3 789 869

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

DIRECTORS' REPORT continued

Disposals
Agreements have been reached for the disposal of Somerset Value Mart and Glenfield Office Park for R185 million and R180 million respectively. Transfer of Somerset Value Mart is imminent, while transfer of Glenfield Office Park is subject to approval from competition authorities.

Efforts to dispose of Willowbridge Centre and the remaining standalone office buildings are continuing.

Capital structure
Hyprop is a REIT and therefore 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 are commented on in the chairman, chief executive officer and financial director's reports and, are set out in the group annual financial statements on pages 98 to 154.

Directorate
Independent non-executive director Louis van der Watt resigned from the board on 4 May 2016.

Directors retiring by rotation at the upcoming annual general meeting are Pieter Prinsloo, Lindie Engelbrecht and Mike Lewin, and being eligible, they offer themselves for re-election.

Independent non-executive director, Ethan Dube, will retire from the board at the upcoming annual general meeting.

Directors who served during the financial year are as follows:

GR Tipper[1]	MJ Lewin[1]
PG Prinsloo[3]	L Norval[2]
LR Cohen[3]	S Shaw-Taylor[2]
EG Dube[1]	TV Mokgatlha[1]
KM Ellerine[2]	LLS van der Watt (resigned 4 May 2016)[1]
L Engelbrecht[1]	

[1] Independent non-executive
[2] Non-executive
[3] Executive

An abridged curriculum vitae for each director is set out on pages 72 and 73.

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 group annual financial statements.

Investments in South-Eastern Europe
The group's investments in South-Eastern Europe are held by a joint venture investment holding company, Hystead Limited (Hystead), a United Kingdom registered company, in which the group has a 60% equity interest. In terms of the Hystead shareholder agreement (the shareholder agreement), Hyprop has joint control of Hystead.

The shareholder agreement also includes, to the extent that Hystead has distributable earnings from its property investments, a contractual right by the Hystead shareholders to receive dividends from Hystead. This contractual right to receive dividends results in the investment in Hystead being accounted for as an investment in a financial asset (in terms of IFRS). *Refer to note 6.3 – Investment in joint ventures.*

Hystead's initial investments in South-Eastern Europe (in Serbia and Montenegro) were funded with a funding structure in the Netherlands (the Netherlands funding structure). The Netherlands funding structure includes third-party bank funding for the majority (ie 99%) of the South-Eastern European funding requirements.

The funding structure also includes loans by Hyprop to two companies in the Netherlands funding structure, Vondelvlag Holding and Vondelvlag Stichting, for Hyprop's share of the remaining 1% of the funding requirements, *refer to note 10 – Loans receivable.*

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 in South Africa.

Audit committee report
The audit committee fulfilled its responsibilities during the year (refer to its report on page 94 for full 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
The auditor is responsible for reporting on whether the group financial statements are fairly presented in accordance with the applicable financial reporting framework.

KPMG Inc. was appointed as auditors in accordance with part C of section 90 of the Companies Act of South Africa.

The auditors of the company were formerly Grant Thornton (until 3 May 2016). KPMG Inc. were appointed in part to assist with global co-ordination of the external audit process and in order to increase the likelihood of engagement with a single firm in most of the jurisdictions that Hyprop operates in.

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 34 – Related parties and related-party transactions* to the group annual financial statements.

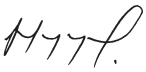
The directors have satisfied themselves that the company and its subsidiaries are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

Going concern
The directors consider that the company and its subsidiaries 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 annual financial statements.

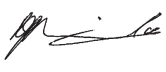
Trading statements
Hyprop uses dividend per share as the relevant measure of financial results for trading statement purposes.

Approval of group annual financial statements
The group annual financial statements of Hyprop Investments Limited, as identified in the first paragraph, were approved by the board of directors on 2 September 2016.

Company annual financial statements
The integrated report includes the audited group annual financial statements. The audited annual financial statements of the company are available for review and inspection at the registered office of the company.



GR Tipper
Chairman



PG Prinsloo
Chief executive officer

Johannesburg
2 September 2016

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

for the year ended 30 June 2016

Report on the financial statements

We have audited the consolidated financial statements of Hyprop Investments Limited, which comprise the statements of financial position at 30 June 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 98 to 154.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 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

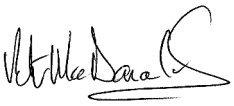
In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Hyprop Investments Limited at 30 June 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial 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 financial statements for the year ended 30 June 2016, we have read the directors' report, the audit committee's report and the company secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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 financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Hyprop for one year.



KPMG Inc.
Registered Auditor
Per Peter Macdonald
Chartered Accountant (SA)
Registered Auditor
Director

2 September 2016

KPMG Crescent
85 Empire Road
Parktown
2193

STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	Note	GROUP June 2016 R000	GROUP June 2015 R000
ASSETS			
Non-current assets		**32 227 218**	27 395 984
Investment property	2.1	**28 187 357**	24 511 778
South African portfolio		**25 879 235**	24 511 778
Ikeja City Mall (Lagos, Nigeria)		**2 308 122**	
Straight-line rental income accrual	2.3	**515 206**	413 826
Building appurtenances and tenant installations	3	**126 100**	77 300
Investment in sub-Saharan Africa (excluding SA)		**3 315 614**	2 339 121
Shareholder loans receivable	10	**3 258 557**	2 258 125
Investment in joint ventures	6.2	**57 057**	80 996
Investment in associate	7	**766**	827
Other investment	8	**#**	#
Goodwill	9	**18 134**	
Loans receivable	10	**14 732**	
Derivative instruments	18	**49 309**	53 132
Current assets		**378 150**	224 750
Loans receivable	10	**400**	53 757
Trade and other receivables	11	**178 793**	87 152
Cash and cash equivalents	12	**198 957**	83 841
Non-current assets classified as held-for-sale	13	**1 243 591**	1 235 062
Total assets		**33 848 959**	28 855 796
EQUITY AND LIABILITIES			
Equity and reserves		**23 118 856**	21 658 721
Equity and reserves attributable to Hyprop shareholders		**22 988 596**	21 658 721
Stated capital	14	**6 949 139**	6 976 928
Retained income		**751 810**	680 365
Non-distributable reserves	15	**15 273 050**	13 988 025
Foreign currency translation reserve	16	**14 597**	13 403
Non-controlling interest		**130 260**	
Liabilities			
Non-current liabilities		**8 879 743**	6 012 830
Borrowings	17	**8 632 036**	5 919 909
Derivative instruments	18	**101 198**	40 123
Deferred taxation	19	**146 509**	52 798
Current liabilities		**1 822 492**	1 162 678
Trade and other payables	20	**526 403**	377 917
Borrowings	17	**1 294 052**	772 000
Taxation		**2 037**	10 132
Derivative instruments	18		2 629
Liabilities directly associated with non-current assets held-for-sale	13	**27 868**	21 567
Total liabilities		**10 730 103**	7 197 075
Total equity and liabilities		**33 848 959**	28 855 796

 # Values less than R1 000

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	GROUP June 2016 R000	GROUP June 2015 R000
Revenue		3 078 221	2 703 034
Investment property income		2 976 420	2 642 949
Straight-line rental income accrual		101 801	60 085
Property expenses	23	(993 861)	(887 918)
Net property income		2 084 360	1 815 116
Other operating expenses		(76 593)	(64 611)
Operating income		2 007 767	1 750 505
Net interest		(366 176)	(351 647)
Earned	21	323 759	157 344
Incurred	22	(689 935)	(508 991)
Net operating income	23	1 641 591	1 398 858
Change in fair value		1 217 049	2 426 584
Investment property	2.2	1 382 134	2 467 113
Straight-line rental income accrual	2.2	(101 801)	(60 085)
Investment in joint venture		(10 102)	
Derivative instruments	18	(53 182)	19 556
Profit/(loss) on disposal			(5 768)
Investment property			24 243
Subsidiary			(30 011)
Impairment of investment in subsidiary	9		(4 280)
Net income before equity-accounted investments		2 858 640	3 815 394
Share of loss from joint ventures	6	(41 007)	(17 447)
Share of income from associate	7	457	652
Profit before taxation		2 818 090	3 798 599
Taxation	26	(50 930)	(19 023)
Current taxation		(7 371)	(12 386)
Deferred taxation		(43 559)	(6 637)
Profit for the year		2 767 160	3 779 576
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss	16	(1 491)	5 329
Exchange differences on translation of foreign operations		1 194	5 329
Exchange differences on translation of foreign operations: Non-controlling interests		(2 685)	
Total comprehensive income for the year		2 765 669	3 784 905
Profit for the year attributable to: Shareholders of the company		2 750 847	3 779 576
Non-controlling interests		16 313	
Profit for the year		2 767 160	3 779 576
Total comprehensive income for the year attributable to: Shareholders of the company		2 752 041	3 784 905
Non-controlling interests		13 628	
Total comprehensive income for the year		2 765 669	3 784 905
Basic earnings per share (cents)	28	1 139,1	1 553,7
Diluted earnings per share (cents)	28	1 131,1	1 553,7

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Attributable to owners of the 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 interests R000	Total equity R000
Balance at 30 June 2014	1 661	12 768 541	1 649	8 074	(7 619)	133 237	12 905 543
Total comprehensive income							
Profit for the year					3 779 576		3 779 576
Other comprehensive income for the year, net of taxation				5 329			5 329
Total comprehensive income				5 329	3 779 576		3 784 905
Transactions with owners of the company							
Capital restructure	6 986 335	(1 256 148)					5 730 187
Treasury shares	(11 068)						(11 068)
Share-based payment			6 707				6 707
Dividends declared and paid					(639 034)	(495)	(639 529)
Net transfer to non-distributable reserve		2 469 985			(2 469 985)		
Total contributions and distributions	6 975 267	1 213 837	6 707		(3 109 019)	(495)	5 086 297
Buy-back of African Land shares from non-controlling interest		(2 709)			17 427	(132 742)	(118 024)
Total changes in ownership interests		(2 709)			17 427	(132 742)	(118 024)
Total transactions with owners of the company	6 975 267	1 211 128	6 707		(3 091 592)	(133 237)	4 968 273
Balance at 30 June 2015	6 976 928	13 979 669	8 356	13 403	680 365		21 658 721
Total comprehensive income							
Profit for the year					2 750 847	16 313	2 767 160
Other comprehensive income for the year, net of taxation				1 194		(2 685)	(1 491)
Total comprehensive income				1 194	2 750 847	13 628	2 765 669
Transactions with owners of the company							
Treasury shares	(27 789)						(27 789)
Share-based payment			9 919				9 919
Dividends declared and paid					(1 404 296)		(1 404 296)
Net transfer to non-distributable reserve		1 275 106			(1 275 106)		
Total contributions and distributions	(27 789)	1 275 106	9 919		(2 679 402)		(1 422 166)
Purchase of Ikeja City Mall (Lagos, Nigeria)						116 632	116 632
Total changes in ownership interests						116 632	116 632
Total transactions with owners of the company	(27 789)	1 275 106	9 919		(2 679 402)	116 632	(1 305 534)
Balance as 30 June 2016	6 949 139	15 254 775	18 275	14 597	751 810	130 260	23 118 856
Note	14	15	15	16		4.1	

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	GROUP Year to June 2016 R000	GROUP Year to June 2015 R000
Cash flows (utilised by)/generated from operating activities		**(210 672)**	97 774
Cash generated from operations	29.1	**1 709 767**	1 738 764
Interest received		**191 515**	105 084
Interest paid and capitalised		**(692 192)**	(518 611)
Dividends paid		**(1 404 296)**	(639 034)
Debenture interest paid			(585 877)
Taxation paid	29.2	**(15 466)**	(2 552)
Cash (applied to)/from investing activities		**(1 716 759)**	667 056
Acquisition of and additions to investment property	2.2	**(108 481)**	(333 659)
Proceeds on disposal of investment property	2.2		3 783
Additions to building appurtenances and tenant installations	3.4	**(67 612)**	(42 718)
Proceeds on disposal of building appurtenances and tenant installations			883
Proceeds on disposal of assets classified as held-for-sale			746 525
Acquisition of subsidiary	33.6	**(707 471)**	
Proceeds on disposal of subsidiary			1 511 904
Increase in investment in sub-Saharan Africa (excluding SA)		**(884 113)**	(1 264 048)
Decrease in loans receivable		**50 918**	44 386
Cash flows from/(applied to) financing activities		**1 989 143**	(752 410)
Increase/(decrease) in long-term and short-term loans		**2 016 932**	(634 386)
African Land share buy-back			(118 024)
Purchase of Hyprop shares (long-term staff incentive scheme (CUP))	14	**(27 789)**	
Net increase in cash and cash equivalents		**61 712**	12 420
Cash and cash equivalents at beginning of year		**83 841**	77 353
Cash acquired through business combinations		**48 964**	
Translation effects on cash and cash equivalents of foreign entities		**5 002**	(5 296)
Cash and cash equivalents transferred to non-current assets held-for-sale		**(562)**	(636)
Cash and cash equivalents at end of year	12	**198 957**	83 841

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

1. Accounting policies and presentation of financial statements

1.1 Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA financial reporting guides as issued by the Accounting Practices Committee (APC), 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.

The financial statements of the company are presented separately from the consolidated financial statements and were approved by the directors on 2 September 2016, the same date as these financial statements. The separate financial statements are available for review and inspection at the registered office of the company.

1.2 Basis of preparation

The group 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.

Item	Measurement basis
Investment property	Fair value
Derivative financial instruments	Fair value
Investment property held-for-sale	Fair value

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 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 2015. Various new accounting standards, or revisions to current accounting standards, have been issued with effective dates applicable to future financial statements. *Refer to note 1.25 – Standards issued but not yet effective.*

1.3 Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by the company.

Control is achieved when the company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

The group financial statements incorporate the assets, liabilities, income, expenses and cash flows of the group. The results of subsidiaries acquired or disposed of during the year are included in the group 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 the acquisition. Acquisition costs are expensed as incurred.

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

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

1. Accounting policies and presentation of financial statements continued

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.

The company considers whether it has control by taking into account the relevant facts and circumstances, even if the company has less than the majority of the voting rights. It has control 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 following will be considered:

- 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 shareholders' meetings.

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 financial statements only to the extent of interests in the joint operation that are not related to the group.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. Accounting policies and presentation of financial statements continued

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 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 statement of profit or loss and other 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.

If the interest that the company has in the joint venture provides the company with a contractual right to receive dividends, the investment is accounted for as a financial instrument and will not be equity accounted. *Refer to note 1.12 – Financial instruments.*

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, 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.

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 fifteen 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 price and the carrying value of the item sold.

1.10 Investment property

Investment property includes land, buildings and development rights and are held to earn income and/or for capital appreciation.

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

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.

In instances when investment property is sold, but not yet transferred to the purchaser at year-end, the fair value is determined as the sale price.

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

1. Accounting policies and presentation of financial statements continued

1.10 Investment property continued

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.

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.

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.

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 group 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. Accounting policies and presentation of financial statements continued

1.12 Financial instruments continued

Financial assets continued

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 investment

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.

1.12.5 Financial assets – right to receive dividends

Where the group has a contractual right to receive dividends, the financial asset has been designated at fair value through profit or loss (FVTPL). Subsequent to initial recognition, it is measured at fair value and changes therein are recognised in the statement of profit or loss and other comprehensive income.

Any gain or loss on initial recognition is deferred (when its fair value is calculated using significant unobservable inputs) and is recognised in profit or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset.

Financial liabilities

1.12.6 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.

1.12.7 Non-derivative financial liabilities: Borrowings

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.

1.12.8 Non-derivative financial liabilities: Financial guarantees

In certain instances, the group provides financial guarantees for loans granted to subsidiaries, joint ventures and other related companies. At year-end, the group has issued guarantees to certain banks in respect of loan facilities granted to related companies. *Refer to note 6 – Investment in joint ventures.*

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 or loss. Gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

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

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.

1. Accounting policies and presentation of financial statements continued

1.13 Impairment continued

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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 profit or loss and other comprehensive income presentation

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

1.16 Dividends

Dividends to shareholders are recognised directly in equity on the date of declaration. Dividends received from subsidiaries or investee companies are recognised on declaration by the subsidiary or investee company.

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).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. Accounting policies and presentation of financial statements continued

1.17 Foreign currency continued

Foreign currency translation reserve

Foreign currency differences on translation of the financial position and results of a foreign operation into Rand are recognised in other comprehensive income, 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 as an expense 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.

Long-term benefits

Equity-settled share-based employee remuneration

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

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

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

Post-employment benefits

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 the related services have been rendered.

1.19 Revenue

Property portfolio revenue

Property portfolio revenue comprises contractual rental income, operating cost recoveries, income from marketing and promotions and parking income. Contractual rental income (including tenant parking income) is recognised on a straight-line basis over the term of the lease. Income from marketing, promotions and casual parking is recognised when the amounts can be reliably measured.

Turnover rentals (variable rentals based on the turnover achieved by a tenant) 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. Accounting policies and presentation of financial statements continued

1.21 Taxation

1.21.1 Current taxation

Hyprop is a REIT (Real Estate Investment Trust) in terms of the South African Income Tax Act (the Act) and in terms of the JSE Listings Requirements. In terms of section 25BB of the Act, the twice yearly dividend declared to Hyprop shareholders is deductible against Hyprop's taxable income. As a consequence of this deduction, South African income taxation is usually reduced to zero, and dividends received by South African Hyprop shareholders are therefore received free of any South African income taxation at a Hyprop level.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year. The charge for current taxation includes expected tax payable or receivable on the taxable income or loss for the year 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.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

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.

1.22 Segment reporting

The group determines and presents operating segments based on information that is provided internally to the executive management committee (exco) and to the board of directors. The exco reviews internal management reports of each segment monthly, while the board reviews internal management reports in respect of each segment at least quarterly.

On a primary basis, the operations are organised into the following business segments: Shopping centres, value centres, standalone offices, investments in sub-Saharan Africa (excluding South Africa) and investments in South-Eastern Europe.

1.23 Basic, headline and distributable 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. Accounting policies and presentation of financial statements continued

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 is set out below:

Investment property valuations

The valuation of investment properties requires judgement in the estimation of future cash flows, appropriate discount rates and capitalisation rates. *Refer to note 2 – Investment property*.

Interests in co-ownerships

In terms of the co-ownership agreements for Canal Walk and The Glen, material capital expenditure requires mutual consent of the co-owners. The majority of capital expenditure (subject to an annual increase in terms of an inflation adjusted formula) 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.

Business combination versus asset acquisition

During the year the group acquired interests in Ikeja City Mall in Lagos, Nigeria as well as Delta City Malls in Belgrade, Serbia and Podgorica, Montenegro. Management assessed the acquisitions during the year and concluded that the acquisitions are business combinations in terms of IFRS 3 *Business combinations* and were therefore accounted for in terms of that standard. In the opinion of management, the properties acquired constitute businesses as defined in terms of IFRS 3 *Business combinations*.

Control over an investee

Hystead Limited (Hystead) is the investment holding company for Hyprop's investments in South-Eastern Europe. Hyprop has a 60% equity interest in Hystead.

Management assessed the acquisition of its interest in Hystead and whether it has control over Hystead. It was concluded that the company has joint control over Hystead.

Investments in joint ventures – equity-accounted investments versus financial instruments

Management assessed the acquisition of Hystead during the year to determine whether it should form part of joint ventures and be equity accounted or whether the contractual right to receive dividends should be accounted for as a financial asset.

It was concluded that by virtue of the contractual right to receive dividends the investment in Hystead should be accounted for as a financial asset.

1.25 Standards issued but not yet effective

At the date of approval of these 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 anticipate that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements or those for which the impact has not yet been assessed, is provided. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements namely:

- IFRS 14 *Regulatory deferral accounts*
- IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* – clarification of acceptable methods of depreciation and amortisation
- IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures* – sale or contribution of assets between an investor and its associate or joint venture and investment entities: applying the consolidation exception
- IFRS 11 *Joint arrangements* – accounting for acquisitions of additional interests in joint operations
- IFRS 5 *Non-current assets held-for-sale and discontinued operations* – changes in methods of disposal
- IFRS 7 *Financial instruments: disclosures* – continuing involvement for servicing contracts and offsetting disclosures in condensed interim financial statements
- IAS 19 *Employee benefits* – discount rate: regional market issue.
- IFRS 15 *Revenue from contracts with customers*
- IAS 12 *Income taxes* – recognition of deferred tax assets for unrealised losses

1. Accounting policies and presentation of financial statements continued

1.25 Standards issued but not yet effective continued

NEW OR AMENDED STANDARD AND EFFECTIVE DATE	SUMMARY OF THE REQUIREMENTS	POSSIBLE IMPACT ON GROUP
IFRS 9 *Financial Instruments* (Annual periods beginning on or after 1 January 2018). Early adoption is permitted.	On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.	**Measurement and classification:** While the changes to the measurement bases may seem to have a muted effect, as the group already measures financial instruments at amortised cost and at fair value though profit or loss (FVTPL), the criteria for classification into these categories are significantly different. This may result in changes in classification between amortised cost and FVTPL. More specific assessment of these impacts will follow closer to the implementation date of the standard. **Impairment:** In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group as the forward-looking component may introduce additional losses. **Effective interest:** Effective interest has also moved from being calculated on gross balances outstanding per IAS 39 to being calculated on the amortised cost net of impairment adjustments, per the expected credit loss model. This is expected to reduce the amount of interest accrued. **Hedge accounting:** The incorporation of a hedge accounting chapter in IFRS 9 is done with limited changes to (a) increase the eligibility of both hedged items and hedging instruments and (b) introducing a principle-based approach to assessing hedge effectiveness. It is not expected to have a significant effect on the recognition and measurement of the group's hedges.
IFRS 16 *Leases* (Annual periods beginning on or after 1 January 2019). Early adoption is permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.	**As lessor:** This new standard is not expected to have a significant impact on how the group (as lessor) accounts for leases due to the carry forward of the lessor accounting model from IAS 17. However, the group anticipates an impact as a result of the enhanced disclosures for lessors required by IFRS 16 namely: components of lease income and risk management with respect to exposure to residual asset risk. **As lessee:** In the less common instance where the group is a lessee, we do not anticipate significant changes to the accounting for those leases as the single leasehold property in the group is already capitalised in terms of IAS 40. However, we do anticipate changes to record the related liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

2. Investment property

		Note	GROUP June 2016 R000	GROUP June 2015 R000
2.1	**Net carrying value**			
	Historical cost		15 811 661	13 411 225
	Accumulated fair value movements		13 599 786	12 319 452
	Non-current assets classified as held-for-sale	13	(1 224 090)	(1 218 899)
			28 187 357	24 511 778
2.2	**Movement for the year**			
	Investment property at valuation at 1 July		24 511 778	21 795 442
	Capital expenditure		108 481	333 659
	African Land restructure			(1 618 506)
	Acquired through business combination	33.2	2 138 690	
	Foreign currency translation movement		151 234	
	Change in fair value		1 382 134	2 467 113
	Disposals			(3 783)
	Interest capitalised	22	2 031	2 472
	Straight-line rental income accrual		(101 801)	(60 085)
	Transfer from development property			1 849 000
	Transfer to non-current assets held-for-sale		(5 190)	(253 534)
	Investment property at valuation		28 187 357	24 511 778
2.3	**Reconciliation to independent valuation**			
	Investment property at valuation at year-end		28 187 357	24 511 778
	Straight-line rental income accrual		515 206	413 826
	Building appurtenances and tenant installations	3	126 100	77 300
	Centre management assets		(6 465)	(2 274)
	Independent valuation[1]		28 822 198	25 000 630
	Capitalisation rate used to determine interest capitalised		7,7%	7,7%

[1] *Excludes 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 Encumbered investment property

The following properties have been pledged as security by means of mortgage bonds (*refer to note 17 – Borrowings*):

To Standard Finance (Isle of Man) Limited and Standard Bank of South Africa Limited to secure borrowing facilities of USD280 million:
1. A 75,15% undivided share in The Glen
2. A 40% undivided share in Canal Walk.

To Rand Merchant Bank (a division of FirstRand Bank Limited) to secure borrowing facilities totalling R200 million and USD30 million:
A 40% undivided share in Canal Walk.

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.

To Stanbic IBTC Bank PLC to secure borrowing facilities totalling USD36,2 million:
Ikeja City Mall

To Investec Asset Management Proprietary Limited to secure borrowing facilities totalling USD27,2 million:
Ikeja City Mall

Encumbered properties total R20,8 billion (2015: R24,3 billion).

Subsequent to year-end, Nedbank began a process of releasing the bonds over Woodlands Boulevard, Clearwater Mall and Willowbridge South, after R1,2 billion of existing debt facilities matured and were repaid, being replaced with debt capital market funding (corporate bonds). *Refer to note 36 – Capital management and note 37 – Events after the reporting date.*

2. Investment property continued

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 2016.

The portfolio was valued at R28,8 billion at 30 June 2016 (2015: R25,0 billion), excluding property held-for-sale. The portfolio was valued by two independent, professionally qualified property valuers:

Valuer and qualifications	Properties valued	Method
Old Mutual Investment Group South Africa (Old Mutual) led by Trevor King – The valuations division of Old Mutual led by Trevor King (BSc DipSurv MRICS Valuer), Professional Registered Valuer (SA), member of South African Council for the Valuers Profession and a Chartered Valuation Surveyor and Associate of the Royal Institution of Chartered Surveyors (UK).	13 South African properties (retail and offices)	Discounted cash flow
Jones Lang LaSalle Proprietary Limited (JLL), led by Jürgen Karg – The valuations division of JLL led by Jürgen Karg (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 (UK).	2 South African properties and the Nigerian property (all retail)	Discounted cash flow

The valuers work independently of each other and their valuations are combined to arrive at the value of the full portfolio.

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 income yield produced by the valuers was 7,2% (2015: 6,9%). The average annualised resultant yield range across all properties was 6,5% to 11,0% (2015: 6,3% to 9,9%).

The most significant inputs to the valuation process, all of which are unobservable, are the estimated rentals at the end of the lease, 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 2016 were:

- The range of reversionary capitalisation rates applied to the portfolio was between 6,5% and 10,0% with the weighted average being 6,8% (2015: 6,9%)
- The discount rates applied range between 12,3% and 14,5% with the weighted average being 11,7% (2015: 12,6%)
- The permanent vacancy factor applied for shopping centres ranged between 0,5% and 2,0% (offices 2,5% and 5,0%)
- The average rental escalation percentage applied for shopping centres ranged between 5,0% and 8,0% (offices 5,0% and 6,0%).

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 R674 million (2,1%).
A 25 basis point decrease in the average discount rate will increase the value of investment property portfolio by R703 million (2,2%).
A 25 basis point increase in the capitalisation rate will decrease the value of investment property portfolio by R1,21 billion (3,7%).
A 25 basis point decrease in the capitalisation rate will increase the value of investment property portfolio by R1,30 billion (4,0%).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

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. 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: The discount rate is the rate of return used in a discounted cash flow analysis to determine the present value of future cash flows, and take into account an assessment of the uncertainty in the amount and timing of future cash flows.

Vacancy rates: Based on current and expected future market conditions after expiry of any current leases, as well as tenant failures during the course of a lease.

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 valuation methods applied by the independent valuers were 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. 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 – these 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.

	Recurring fair value measurements – level 3	
	June 2016 Valuation R000	June 2015 Valuation R000
South Africa [1]		
Shopping centres	25 282 472	23 408 630
Value centres	1 109 000	1 112 000
Standalone offices	108 300	480 000
Sub-Saharan Africa (excluding South Africa)		
Ikeja City Mall (Lagos, Nigeria)	2 322 426	
Total group	28 822 198	25 000 630

[1] *Excludes property held-for-sale*

	Non-recurring fair value measurements – level 3	
	June 2016 Valuation R000	June 2015 Valuation R000
Assets held-for-sale	1 230 775	1 225 775
Total group	1 230 775	1 225 775

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield, with higher vacancy rates resulting in higher yields. 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 2016 R000	GROUP June 2015 R000
3.1	**Cost**			
	Building appurtenances		153 362	84 053
	Tenant installations		46 554	42 715
			199 916	126 768
3.2	**Accumulated depreciation**			
	Building appurtenances		47 695	29 098
	Tenant installations		26 121	20 370
			73 816	49 468
3.3	**Net carrying value**			
	Building appurtenances		105 667	54 955
	Tenant installations		20 433	22 345
			126 100	77 300
3.4	**Movement for the year**			
	Net carrying value – 1 July		77 300	82 692
	Capital expenditure		67 612	42 718
	Acquired through business combination	33.2	5 327	
	Foreign currency translation movement		409	
	Disposal of building appurtenances and tenant installations			(965)
	Disposal in respect of subsidiary			(25 552)
	Classified as held-for-sale		190	(1 539)
	Depreciation		(24 738)	(20 054)
	Net carrying value – 30 June		126 100	77 300

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

4. 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/or voting power held by the group: June 2016	June 2015
Hyprop Investments (Mauritius) Limited (Hyprop Mauritius)	Investing in indirect development or income producing properties in sub-Saharan Africa (excluding SA)	Mauritius	100%	100%
African Land Investments Limited (African Land)	Dormant	South Africa	100%	100%
Word for Word 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%
Hyprop Ikeja Mall Limited (Hyprop Ikeja)[1]	Owns the shares in Gruppo Investments Nigeria Limited	Mauritius	100%	
Gruppo Investments Nigeria Limited (Gruppo)[2]	Owns Ikeja City Mall in Lagos, Nigeria	Nigeria	75%	

[1] Wholly owned subsidiary of Hyprop Mauritius
[2] Hyprop Ikeja owns 75% of the shares in Gruppo

4.1 Gruppo – Subsidiaries and transactions with non-controlling interests

Set out below is a summary of audited financial information for Gruppo, which owns 100% of the Ikeja City Mall in Lagos, Nigeria and in which Hyprop has a 75% interest.

	June 2016 R000	June 2015 R000
Summarised statement of financial position		
Current assets	134 141	
Current liabilities	(63 621)	
	70 520	
Non-current assets	2 327 071	
Non-current liabilities	(1 877 243)	
	449 828	
Net assets	520 348	
Non-controlling interest	130 260	
Summarised statement of comprehensive income		
Revenue	225 782	
Net profit	64 559	
Other comprehensive loss	(10 738)	
Total comprehensive income	53 821	
Profit allocated to non-controlling interest	13 628	
Dividends paid to non-controlling interest	nil	
Summarised cash flows		
Cash flows from operating activities	19 174	
Cash flows from investing activities		
Cash flows from financing activities		

5. Joint operations

Canal Walk (80%) and The Glen (75,15%) are classified as joint operations. The group recognises its share of the assets and liabilities and income and expenses. Canal Walk and The Glen are co-owned with Ellerine Bros Proprietary Limited (Ellerine Bros).

In terms of the co-ownership agreements, Canal Walk and The Glen are jointly controlled by Hyprop and Ellerine Bros.

6. Investment in joint ventures

			Proportion of ownership interest and voting power held by the group	
Name of joint venture	Principal activity	Place of incorporation and operation	June 2016	June 2015
AttAfrica Limited (AttAfrica)	Investing in indirect development or income producing property investments in sub-Saharan Africa (excluding SA)	Mauritius	37,5%	37,5%
Manda Hill Mauritius Limited (Manda Hill Mauritius)	Property investment company	Mauritius	50%	50%
Hystead Limited (Hystead)	Investing in income producing property investments in South-Eastern Europe	United Kingdom	60%	

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

6. Investment in joint ventures continued

6.1 37,5% – 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.

	June 2016 R000	June 2015 R000
Initial investment in equity	#	#
Share in equity-accounted profits		
# *Less than R1 000*		
At 30 June 2016, Hyprop Mauritius' 37,5% share of AttAfrica's liabilities exceeded its share of the assets by R130 million (2015: R39 million).		
Summary of audited financial information of AttAfrica is as follows (all figures reflect 100% of AttAfrica):		
Summary of audited statement of profit or loss and other comprehensive income		
Share of losses of associates		(3 575)
Other income	48 400	44 397
Property income	271 819	101 861
Operational expenses	(137 223)	(223 802)
Property expenses	(82 223)	(26 627)
Interest income	91 539	45 964
Finance cost	(371 483)	(181 409)
Fair value gain on investment property	5 818	
Share of (losses)/profits of joint venture	(23 474)	121 871
Loss before taxation	(196 827)	(121 320)
Taxation	(30 694)	9 600
Loss for the year	(227 521)	(111 720)
Other comprehensive loss		
Foreign currency translation reserve	23 010	(5 730)
Total comprehensive loss for the year	(204 511)	(117 450)
Attributable to:		
Equity holders of the company	(163 316)	(59 693)
Non-controlling interests	(41 195)	(57 757)
Hyprop's share of profits and losses of AttAfrica		
– Share of gain on acquisition of Manda Hill Centre[1]		24 093
– Share of losses from joint venture		(24 093)

[1] *Relates to restructure of AttAfrica, which took place on 1 July 2014.*

6. Investment in joint ventures continued

6.1 37,5% – Joint venture – AttAfrica Limited (AttAfrica) continued

	June 2016 R000	June 2015 R000
Summary of audited statement of financial position		
Assets		
Non-current assets	4 695 644	3 134 515
Investment property	2 877 074	1 787 992
Investment in associates		2 419
Investment in joint venture	426 421	374 243
Loan receivable	1 365 761	956 310
Deferred taxation	21 139	10 874
Property, plant and equipment	5 249	2 677
Current assets	462 388	287 480
Trade and other receivables	413 103	48 321
Cash and cash equivalents	49 285	239 159
Total assets	5 158 032	3 421 995
Equity and liabilities		
Capital and reserves	(190 258)	38 613
Shareholders' deficit	(332 287)	(104 765)
Non-controlling interest	156 106	138 373
Foreign currency translation reserve	(14 077)	5 005
Non-current liabilities	5 141 012	3 235 094
Borrowings	5 141 012	3 235 094
Current liabilities	207 278	148 288
Trade and other payables	179 232	148 288
Deferred taxation	28 046	
Total equity and liabilities	5 158 032	3 421 995
Unrecognised share of losses in AttAfrica	129 887	39 287
Commitments and contingent liabilities relating to AttAfrica		
Guarantees	742 305	469 545

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

6. Investment in joint ventures continued

6.2 50% – 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.

	June 2016 R000	June 2015 R000
Initial investment in equity	#	#
# Less than R1 000		
As at 30 June 2016, Hyprop Mauritius' 50% share of Manda Hill Mauritius' assets exceeded its liabilities by R57 million (2015: R82 million).		
Summary of audited financial information of Manda Hill Mauritius is as follows (all figures reflect 100% of Manda Hill Mauritius):		
Summary of audited statement of profit or loss and other comprehensive income		
Rental income	179 388	139 374
Property income		16 061
Gain on bargain purchase		128 494
Other income	52	5 424
Operational expenses	(31 481)	(29 656)
Other expenses	(104 289)	(31 745)
Finance cost	(119 033)	(85 735)
Profit before taxation	(75 363)	142 217
Taxation	(6 651)	(432)
(Loss)/profit for the year	(82 014)	141 785
Other comprehensive loss		
Foreign currency translation reserve	54 343	21 399
Total comprehensive (loss)/income for the year	(27 671)	163 184
Attributable to:		
Equity holders of the company	(27 671)	163 184
Hyprop's share of (losses)/profits of Manda Hill Mauritius	(41 007)	70 893
– Share of gain on bargain purchase		64 247
– Share of (loss)/income from joint venture	(41 007)	6 646

6. Investment in joint ventures continued

6.2 50% – Joint venture – Manda Hill Mauritius Limited (Manda Hill Mauritius) continued

	June 2016 R000	June 2015 R000
Summary of audited statement of financial position		
Assets		
Non-current assets	2 208 512	1 924 637
Investment property	2 190 940	1 896 202
Property, plant and equipment	17 572	28 435
Current assets	26 855	8 871
Cash and cash equivalents	3 534	4 385
Trade and other receivables	23 321	4 486
Total assets	2 235 367	1 933 508
Equity and liabilities		
Capital and reserves	114 115	163 184
Shareholders' equity	59 772	141 785
Foreign currency translation reserve	54 343	21 399
Non-current liabilities	2 098 725	1 749 089
Shareholder loans	1 249 235	1 025 379
Borrowings	849 488	705 946
Other payables	2	17 764
Current liabilities	22 527	21 235
Trade and other payables	22 527	21 235
Total equity and liabilities	2 235 367	1 933 508
Hyprop's share of net assets in Manda Hill Mauritius	57 057	80 996
50% of net assets of Manda Hill Mauritius	57 057	70 893
Cost of "A" shares in Manda Hill Centre	10 103	10 103
Impairment of "A" shares in Manda Hill Centre	(10 103)	
Carrying amount	57 057	80 996
Commitments and contingent liabilities relating to Manda Hill Mauritius		
Guarantees	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

6. Investment in joint ventures continued

6.3 60% – Joint venture (JV) – Hystead Limited (Hystead)

Hyprop has a 60% interest in Hystead, a UK-based property investment company. The effective date of the investment is 3 December 2015.

The shareholders' agreement between Hyprop and the remaining 40% shareholder (the JV partner) includes reserve matters and voting rights such that Hyprop has effective joint control of Hystead.

The purpose of Hystead is to invest (directly or indirectly) in shopping centres in South-Eastern Europe.

The fair value of Hyprop's investment in Hystead has been determined as R1,5 billion (EUR89,8 million) at the date of acquisition. The day-one gain of R1,5 billion (EUR89,8 million) was deferred (in accordance with IFRS), since the valuation method includes assumptions which are derived from unobservable inputs.

Hyprop provided a financial guarantee to fund the acquisition of Hystead's investments in the Delta City shopping malls in Serbia and Montenegro. (*Refer to note 35 – Financial instruments – Fair values and risk management*.) The value of the guarantee provided by Hyprop was determined to be negligible. The JV partner has also provided an indemnity and security equivalent to 10% of the acquisition cost.

Since credit enhancement was provided by Hyprop the JV partner will reimburse Hyprop in the form of an increased right by Hyprop to dividends from Hystead (ie disproportionate to shareholding), while the guarantee is in place. Hyprop has accounted for its economic interest in Hystead in determining the fair value of its investment.

	June 2016 R000	June 2015 R000
Percentage ownership interest	60%	
Percentage entitlement to dividends (economic interest)	78%	
Dividends received by Hyprop	31 944	
Summary of audited statement of financial position		
(all figures below reflect 100% of Hystead unless otherwise indicated):		
Non-current assets	3 385 254	
Current assets	124 313	
Total assets	3 509 567	
Non-current liabilities	2 523 323	
Current liabilities	921 153	
Capital and reserves	65 091	
Total equity and liabilities	3 509 567	
Group's share of net assets (60%)	39 055	
Summary of audited statement of profit or loss and other comprehensive income		
Revenue	182 354	
Expenses	(60 426)	
Taxation	(7 812)	
Profit for the year	114 116	
The following table shows a reconciliation from the opening balances to the closing balances for the Hystead investment:		
Balance at 1 July		
Acquisition of 60% equity investment in Hystead at cost	#	
Net change in fair value of right to receive dividends	1 472 754	
Deferral of unrealised fair value change, calculated with reference to unobservable inputs	(1 472 754)	
Balance at 30 June		

 # Values less than R1 000

6.4 Reconciliation of share of net assets to statement of financial position

AttAfrica		
Manda Hill Mauritius	57 057	80 996
Hystead		
	57 057	80 996

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 June 2016	June 2015
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 4 – Subsidiaries

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

Reconciliation to the statements of financial position

	June 2016 R000	June 2015 R000
It's Called Advertising		
Total assets	2 422	2 592
Non-current assets	163	142
Current assets	2 259	2 450
Total liabilities	427	555
Current liabilities	427	555
Net assets	1 995	2 037
Group's share of net assets of It's Called Advertising	766	827
Investment in associate	766	827
Reconciliation to the statements of profit or loss and other comprehensive income		
It's Called Advertising		
Total revenue	9 275	9 095
Total profit for the year	521	1 631
Group's share of profits of It's Called Advertising	457	652
Reconciliation of share of net assets to carrying amount		
Group's share of net assets of It's Called Advertising	766	827
Carrying amount	766	827

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

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 June 2016	Proportion of ownership interest June 2015
AttAfrica SA Proprietary Limited (AttAfrica SA)	Provides asset management and consulting services to AttAfrica	South Africa	37,5%	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. The investment is therefore not an associate, nor is it equity accounted.

	GROUP June 2016 R000	GROUP June 2015 R000
Balance at beginning of year	#	
Acquired during the year		#
Balance at end of year	#	#

 # Values less than R1 000

No impairment was recognised during the current year.

Statements of financial position – AttAfrica SA		
Total assets	5 021	474
Non-current assets	78	95
Current assets	4 943	379
Total liabilities	3 051	244
Current liabilities	3 051	244
Net assets	1 970	230
Statements of profit or loss and other comprehensive income – AttAfrica SA		
Total revenue	17 253	5 233
Total profit for the year	1 740	229

	GROUP June 2016 R000	GROUP June 2015 R000
9. Goodwill		
Cost		
Balance at 1 July	29 566	29 566
Acquisition of business	18 134	
Balance at 30 June	47 700	29 566
Accumulated impairment		
Balance at 1 July	(29 566)	(25 286)
Impairment of goodwill		(4 280)
Balance at 30 June	(29 566)	(29 566)
Carrying value at end of the year	18 134	
Goodwill by region and segment		
Investment property – sub-Saharan Africa (excluding SA)		
Ikeja City Mall (Lagos, Nigeria)	18 134	
Carrying value at end of the year	18 134	

Impairments/reversal of impairments

The group reviews the carrying amounts of cash-generating units (CGU) to which goodwill has been allocated for impairment at each reporting date. A review may be triggered during the financial year if indicators of impairment (suggesting that the carrying amount may be greater than the recoverable amount) are observed in the ordinary course of business.

Once an impairment has been recognised, no reversal of a previous impairment is processed in subsequent periods, even if the prospects of the impaired CGU improve.

Value-in-use calculations

The recoverable amount is determined based on the CGU's value-in-use by using the discounted cash flow method over three years. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use.

Cash flows

Future cash flows are estimated based on local currency financial budgets approved by management, covering a three-year period and are extrapolated over the useful life of the assets, to reflect the long-term plans for the group, using an estimated growth rate for the asset. The estimated future cash flows and discount rates used are post-tax, based on an assessment of the current risks applicable to the asset and country in which it operates.

Discount rate

The weighted average cost of capital (WACC) is derived from a pricing model based on credit risk and the cost of the debt. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the CGU.

Impairments – 2016

During 2016, Hyprop acquired Ikeja City Mall in Lagos, Nigeria, and allocated USD1,3 million of goodwill. Management paid the additional amount due to an expectation of an increase in value of the property. Subsequent to the acquisition, the property was revalued at 30 June 2016 and increased in value by USD2,7 million (75% – USD2,0 million) confirming management's initial assessment. *Refer to note 33 – Business combinations and transactions with subsidiary*.

Based on the valuation at 30 June 2016, management did not recognise an impairment for goodwill in 2016. For detailed assumptions and valuation techniques used, *refer to note 2 – Investment property*.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

10. Loans receivable

	GROUP June 2016 R000	GROUP June 2015 R000
Shareholder loan – AttAfrica – Rand equivalent of US Dollar loan	2 633 939	1 739 053
The loan represents Hyprop Mauritius' shareholder loan funding to AttAfrica, and is repayable in June 2020.		
The loan is unsecured and bears interest at an initial rate of 8%, escalating at 4% per annum. Hyprop Mauritius has a preferential right to receive interest on the loan to AttAfrica.		
Hyprop Mauritius has a 37,5% equity interest in AttAfrica.		
Shareholder loan – Manda Hill Mauritius – Rand equivalent of US Dollar loan	624 617	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.		
Vondelvlag Holding loan – Rand equivalent of Euro loan	12 844	
The EUR1,02 million loan facility, of which EUR782 659 has been drawn down, is unsecured, bears interest at 3,15% payable quarterly and is repayable in April 2021.		
Vondelvlag Stichting loan – Rand equivalent of Euro loan	1 889	
The EUR150 000 loan facility, of which EUR115 097 has been drawn down, is unsecured, bears interest at 3,15% payable quarterly and is repayable in April 2021.		
Attacq Limited	400	369
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.		
Redefine Properties Limited		
Redefine entered into an agreement with Hyprop to purchase Stoneridge Shopping Centre. The amount was settled by Redefine on transfer of Stoneridge to Redefine.		45 904
Portion 113 Weltevreden Property Limited, a company associated with Abland Proprietary Limited (Abland)		7 484
The loan was advanced to Abland in 2008 to facilitate the acquisition by Abland of its 10% interest in Stoneridge. The loan was settled upon transfer of Stoneridge to Redefine.		
	3 273 689	2 311 882
Reconciliation to the statement of financial position		
Non-current shareholder loans receivable*	3 258 557	2 258 125
Non-current loans receivable	14 732	
Current loans receivable	400	53 757
Total	3 273 689	2 311 882

** Included in shareholder loans in the statement of financial position*

11. Trade and other receivables

	GROUP June 2016 R000	GROUP June 2015 R000
Rent receivable	51 756	19 436
Allowance for doubtful debts	(28 635)	(10 704)
Municipal recoveries	56 845	50 407
Interest receivable	11 529	
Dividend receivable	39 475	
Withholding taxes	17 473	
Prepayments	8 030	5 277
Municipal deposits	2 235	2 644
Other receivables	20 085	20 092
	178 793	87 152

The prior year groupings have been restated to reflect greater category detail in line with the current year disclosures. The total receivables amount has not been affected.

Movements in allowance for doubtful debts		
Opening balance – 1 July	(10 704)	(18 557)
Acquired through business combination	(14 118)	
Restructure of African Land		9 688
Allowance for doubtful debts	(33 011)	(7 391)
Receivables written off during the year	30 022	5 556
FCTR adjustment	(824)	
Closing balance – 30 June	(28 635)	(10 704)
Ageing of impaired receivables		
Current	4 149	4 109
30 days	3 592	2 527
60 days	5 320	1 049
90+ days	15 574	3 019
	28 635	10 704
Ageing of receivables past due but not impaired		
30 days	2 479	2 657
60 days	3 457	300
90+ days	4 725	
Total	10 661	2 957

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

Cash held on call account as security for municipal and other guarantees	11 203	10 533
Bank balances and cash	187 754	73 308
Balance at end of year	198 957	83 841

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

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

	Note	GROUP June 2016 R000	GROUP June 2015 R000
Total investment property classified as held-for-sale			
Assets		1 243 591	1 235 062
Investment property	2.1	1 224 090	1 218 899
Building appurtenances and tenant installations		6 685	6 876
Trade and other receivables		9 471	6 504
Cash and cash equivalents		3 345	2 783
Liabilities		27 868	21 567
Trade and other payables		27 868	21 567
Net classified as held-for-sale		1 215 723	1 213 495
Movement in assets held-for-sale			
Investment property, building appurtenances and tenant installations			
Opening balance		1 225 773	1 738 390
Disposal			(768 186)
Additions (includes cost and fair value adjustments)		8 428	74 345
Depreciation		(3 428)	(3 588)
Transfer to held-for-sale			184 812
Closing balance		1 230 773	1 225 773
Working capital			
Opening balance		(12 278)	(33 154)
Disposal			6 100
Additions		(2 772)	14 740
Transfer to held-for-sale			36
Closing balance		(15 050)	(12 278)
Net classified as held-for-sale		1 215 723	1 213 495

Non-current assets held-for-sale include Willowbridge, Somerset Value Mart, three standalone office parks and vacant land in Greenstone Park, Johannesburg. Subsequent to year-end, Somerset Value Mart and Glenfield Office Park were sold for R185 million and R180 million respectively.

Although Willowbridge and the remaining standalone office buildings were classified as held-for-sale at 30 June 2015, efforts to dispose of these properties are continuing and Hyprop is confident that they will be sold. Hyprop is actively engaging with potential purchasers. The properties continue to be measured under IAS 40 and all requirements of IFRS 5 have been met.

14. Stated capital

	GROUP June 2016 R000	GROUP June 2015 R000
Authorised		
500 000 000 no par value ordinary shares (2015: 500 000 000)		
Issued		
243 256 092 no par value ordinary shares (2015: 243 256 092)	6 976 928	6 987 996
Less: 410 659 no par value ordinary treasury shares (2015: 153 659)[1]	(27 789)	(11 068)
Balance at end of year	6 949 139	6 976 928
Reconciliation – number of shares in issue		
Shares in issue at beginning of year	243 102 433	243 102 433
Shares issued	243 256 092	243 256 092
Treasury shares	(153 659)	(153 659)
Issued during the year	*	
Less: Treasury shares[1]	(257 000)	
Shares in issue at end of year	242 845 433	243 102 433

[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)). Refer to note 26 – Employee remuneration
** Shares issued after the reporting date. Refer to note 37– Events after the reporting date*

15. Reserves

15.1 Non-distributable reserves

		GROUP June 2016 R000	GROUP June 2015 R000
Revaluation of:	Investment property	14 644 075	13 281 174
	Listed property securities	616 759	616 759
	Derivative instruments	(43 812)	10 706
Realised surplus/(loss) on disposal of:	Investment properties	163 656	163 656
	Listed property securities	276 630	276 630
	Subsidiaries	(118 351)	(118 351)
	Associate	17 431	17 431
Shares (African Land)		(2 709)	(2 709)
Other		(55 770)	(22 493)
Non-distributable reserves of associate		125 344	125 344
Impairment of goodwill		(559 713)	(559 713)
Gain on bargain purchase (African Land)		191 235	191 235
		15 254 775	13 979 669

15.2 Share-based payment reserve[2]

Share-based payment	18 275	8 356
Total	15 273 050	13 988 025

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

16. Foreign currency translation reserve

The foreign currency translation reserve arises from the conversion of foreign operations from their functional currencies to South African Rand on consolidation. *Refer to note 4 – Subsidiaries* and *note 6 – Investment in joint ventures*.

	GROUP June 2016 R000	GROUP June 2015 R000
Opening balance	13 403	8 074
Movement	(1 491)	5 329
Non-controlling interests	2 685	
Closing balance	**14 597**	13 403

For more detailed disclosure on the group's foreign currency exposure and rates of conversion. *Refer to note 35 – Financial instruments – Fair values and risk management*.

17. Borrowings

	Facility R000	Secured by (property) ***	Capital repayment date	Interest rate	GROUP June 2016 R000	GROUP June 2015 R000
SA Rand bank facilities						
Nedbank Limited						
R2,3 billion of the Nedbank loans are fixed at an average rate of 9,1% and have an	1 203 935^	*	August 2016	Prime – 1,8%	854 052#	788 936
average maturity of 5,2 years	1 540 304	*	June 2018	Prime – 1,8%	1 539 076	1 537 902
Old Mutual Specialised Finance Proprietary Limited (OMSFIN)						
R400 million is fixed at a rate of 9,7% and matures in 4,8 years	400 000	Somerset Mall	July 2022	3-month JIBAR + 1,55%	399 317	
US Dollar bank facilities						
Rand Merchant Bank 90% of the drawn down amount of R339,5 million (USD23 million) is fixed for the full term. The average rate is 4,6%	USD30 million	40% of Canal Walk	May 2018	LIBOR + 3,2%	339 474	296 820
The Standard Bank of South Africa Limited						
82,7% of the drawn down amount of R1,5 billion (USD100 million) is fixed. The average rate is 4,4%	USD100 million	40% of Canal Walk**, 75,15% of The Glen	August 2019	LIBOR + 2,75%	1 477 370	1 183 585
74,0% of the drawn down amount of R1,4 billion (USD97,2 million) is fixed. The average rate is 3,8%	USD120 million		July 2020	LIBOR + 2,40%	1 435 990	
Standard Finance (Isle of Man) Limited						
The drawn down amount of R590,9 million (USD39,6 million) is fixed for the full term at an average rate of 4,2%	USD40 million	40% of Canal Walk**, 75,15% of The Glen	October 2017	LIBOR + 3,17%	590 948	485 940
89% of the drawn down amount of R295,5 million (USD20 million) is fixed for the full term. The average rate is 4,4%	USD20 million		November 2018	LIBOR + 2,85%	295 474	226 726
Stanbic IBTC Bank PLC						
The drawn down amount of R535,6 million (USD36,2 million) is floating at an average rate of 6,9%	USD36,2 million	Ikeja City Mall	December 2017	LIBOR + 6,25%	535 556	
Investec Asset Management Proprietary Limited						
The drawn down amount of R401,7 million (USD27,2 million) is floating at an average rate of 6,9%	USD27,2 million	Ikeja City Mall	December 2017	LIBOR + 6,25%	401 668	

* *CapeGate, Atterbury Value Mart, Woodlands Boulevard, Clearwater Mall and Willowbridge South. Subsequent to year end, Nedbank started the process of releasing Woodlands Boulevard, Clearwater Mall and Willowbridge South*

^ *The R1,2 billion facility with Nedbank was refinanced with DCM funding subsequent to year-end. Refer to note 37 – Events after the reporting date*

\# *Short term*

** *40% of Canal Walk and 75,15% of The Glen is secured for borrowings from the Standard Bank of South Africa Limited and its subsidiary, Standard Finance (Isle of Man) Limited*

*** *Encumbered properties total R20,8 billion (2015: R24,3 billion)*

17. Borrowings continued

	Capital repayment date	Interest rate	GROUP June 2016 R000	GROUP June 2015 R000
Debt capital market funding				
Corporate bonds				
Six-year bond – fixed until October 2020 at 9,4%	November 2019	3-month JIBAR + 1,54%	450 000	450 000
Five-year bond – fixed for the full term at 7,3%	September 2017	3-month JIBAR + 1,50%	300 000	300 000
Five-year bond – fixed at an average rate of 8,3% with an average maturity of 7,2 years	May 2018	3-month JIBAR + 1,45%	450 000	450 000
Three-year bond[1]	July 2015	3-month JIBAR + 1,34%		400 000#
Five-year bond – fixed until September 2019 at 9,2%	November 2019	3-month JIBAR + 1,50%	200 000	200 000
Commercial paper				
Six-month commercial paper	October 2016	6-month JIBAR + 0,4%	120 000#	
Three-month commercial paper	August 2016	3-month JIBAR + 0,5%	80 000#	
Six-month commercial paper	August 2016	6-month JIBAR + 0,45%	135 000#	
Six-month commercial paper	August 2016	3-month JIBAR + 0,95%	105 000#	
Three-month commercial paper[1]	October 2015	3-month JIBAR + 0,36%		182 000#
Three-month commercial paper	August 2015	3-month JIBAR + 0,36%		190 000#
Shareholder loans				
AIH International Limited (shareholder loan to Gruppo Investments Nigeria Limited, which owns Ikeja City Mall in Lagos, Nigeria)	March 2021	17,25%	217 163	
Total interest-bearing borrowings			9 926 088	6 691 909
Reconciliation to the statements of financial position				
Non-current			8 632 036	5 919 909
Long-term portion of interest-bearing borrowings			8 632 036	5 919 909
Current			1 294 052	772 000#
Short-term portion of interest-bearing borrowings			1 294 052	772 000#
Total borrowings			9 926 088	6 691 909

[1] The three-year bond and R300 million of the commercial paper were 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 80,8% (2015: 94,5%) of borrowings, at a weighted average rate of 6,7% (2015: 7,1%).

The loan to value ratio at year-end was 30,8% (2015: 22,9%). The loan to value ratio was calculated on a "see-through" basis, including 60% of the Euro denominated debt and 75% of the in-country debt for Ikeja City Mall in Lagos, Nigeria.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

18. Derivative instruments

Derivative instruments comprise interest rate swaps.

		GROUP June 2016 R000	GROUP June 2015 R000
Opening balance as at 1 July		10 380	(8 851)
Foreign exchange movement		(6 722)	(325)
Acquisition of business		(2 365)	
Fair value adjustment		(53 182)	19 556
Balance at end of year		(51 889)	10 380
Standard Bank of South Africa Limited			
Assets			
Non-current	Interest rate swap	7 260	8 795
Liabilities			
Non-current	Interest rate swap	(5 236)	(9 270)
Rand Merchant Bank			
Assets			
Non-current	Interest rate swap	13 797	15 776
Liabilities			
Non-current	Interest rate swap	(84 371)	(21 605)
Nedbank Limited			
Assets			
Non-current	Interest rate swap	28 252	28 561
Liabilities			
Non-current	Interest rate swap	(11 591)	(9 248)
Current	Interest rate swap		(2 629)
Balance at end of year		(51 889)	10 380
Reconciliation to the statements of financial position			
Non-current assets		49 309	53 132
Non-current liabilities		(101 198)	(40 123)
Current liabilities			(2 629)
Balance at end of year		(51 889)	10 380

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 payable	Expiry date	Variable rate receivable
Standard Bank	R100 million	8,04%	11/11/2019	3-month JIBAR
Standard Bank	R100 million	8,50%	3/2/2020	3-month JIBAR
Standard Bank	R100 million	8,02%	13/8/2018	3-month JIBAR
Standard Bank	R100 million	7,85%	27/5/2024	3-month JIBAR
Standard Bank	R300 million	7,82%	31/10/2023	3-month JIBAR
Standard Bank	R450 million	7,85%	30/10/2020	3-month JIBAR
RMB	R300 million	5,83%	13/9/2017	3-month JIBAR
RMB	R450 million	5,87%	18/4/2018	3-month JIBAR
RMB	R200 million	7,73%	18/9/2019	3-month JIBAR
Nedbank	R250 million	8,54%	2/1/2020	3-month JIBAR
Nedbank	R250 million	8,29%	2/1/2020	3-month JIBAR
Nedbank	R250 million	7,21%	1/2/2021	3-month JIBAR
Nedbank	R500 million	7,43%	4/1/2021	3-month JIBAR
Nedbank	R500 million	7,55%	1/10/2021	3-month JIBAR
Nedbank	R500 million	7,61%	1/9/2021	3-month JIBAR
RMB	USD1,64 million	1,27%	17/5/2018	3-month JIBAR
RMB	USD1,78 million	1,67%	17/5/2018	3-month LIBOR
RMB	USD7,68 million	4,26%	6/5/2018	3-month LIBOR + 3,2%
RMB	USD4,98 million	2,10%	18/5/2020	3-month LIBOR
RMB	USD4,50 million	4,47%	17/5/2018	3-month LIBOR + 3,2%

Further disclosure on the designation of the interest rate swaps and their risk mitigation role is provided in *note 35 – Financial instruments – Fair values and risk management*.

19. Deferred taxation

	Note	GROUP June 2016 R000	GROUP June 2015 R000
Arising on:			
Building appurtenances and tenant installations		154 636	127 641
Taxation loss		(78 960)	(74 843)
Investment property		91 479	
Shareholder loans – Gruppo Investments Nigeria Limited		(16 523)	
Other temporary differences		(4 123)	
Balance at end of year		146 509	52 798
Reconciliation of the movement in the deferred taxation liability			
Opening balance – 1 July		52 798	45 747
Reallocation from prior year		(555)	
Acquired through business combination	33.2	47 909	
FCTR adjustment		2 799	
Movement through profit or loss		43 558	7 051
Building appurtenances and tenant installations		16 210	3 358
Fair value on investment property		3 346	
Prior year deferred taxation adjustment		6 099	
Income received in advance and other		678	16
Shareholder loans – Gruppo Investments Nigeria Limited		16 562	
Utilisation of taxation loss and other temporary differences		663	3 677
Balance at end of year		146 509	52 798

Deferred taxation on temporary differences was calculated at 28% (2015: 28%) in respect of South African balances (Ikeja City Mall: 30% (investment property: 10%)).

20. Trade and other payables

	GROUP June 2016 R000	GROUP June 2015 R000
Trade payables and accrued expenses	179 339	123 198
Tenant deposits	86 752	51 351
Gift cards	9 493	7 317
Interest payable	91 299	49 216
Phantom share scheme liability		1 911
Receivables with credit balances	67 177	51 526
VAT	20 632	17 691
Municipal provisions	45 853	60 680
Other payables and provisions	25 858	15 027
Balance at end of year	526 403	377 917

The prior year groupings have been restated to reflect greater category detail in line with the current year disclosures. The total payables amount has not been affected.

21. Interest earned

	GROUP June 2016 R000	GROUP June 2015 R000
From positive bank balances	75 446	5 432
From loans receivable	248 313	151 912
	323 759	157 344

22. Interest incurred

	Note	GROUP June 2016 R000	GROUP June 2015 R000
Interest-bearing borrowings		691 966	511 463
Interest capitalised	2.2	(2 031)	(2 472)
		689 935	508 991

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

23. Net operating income

	GROUP June 2016 R000	GROUP June 2015 R000
Net operating income is stated after accounting for the following:		
Contingent rental income (turnover rental)	51 566	50 459
Depreciation	24 738	20 054
Small asset write offs	66	82
Employee remuneration	118 501	118 312
Share-based payments (CUP) (*Refer to note 25 – Employee remuneration*)	9 919	6 707
Forex gains	144	7 804
Property expenses in the statement of profit or loss and other comprehensive income comprise the following:		
Total property expenses	993 861	887 918
Municipal expenses	586 524	550 945
Salaries and staff-related expenses	82 896	87 464
Security expenses	47 831	47 797
Cleaning expenses	39 272	39 022
Marketing expenses	38 974	28 003
Maintenance costs	23 764	16 623
Diesel costs	22 457	2 489
Parking expenses	19 259	17 911
Air-conditioning expenses	16 801	12 548
Other operating expenses	116 083	85 116
Directors' remuneration		
Independent non-executive	2 399	2 117
Ethan Dube (paid to Vunani Capital Proprietary Limited)	334	284
Lindie Engelbrecht	535	471
Gavin Tipper	562	490
Louis van der Watt (paid to Atterbury Property Holdings Limited)*	233	235
Mike Lewin	334	284
Thabo Mokgatlha	401	353
Non-executive	1 040	847
Kevin Ellerine	314	252
Louis Norval	306	245
Stewart Shaw-Taylor	420	350
Executive	15 983	13 685
Pieter Prinsloo (Chief executive officer)	11 131	9 699
Basic salary	3 672	3 464
Pension fund contributions	173	141
Performance bonus (paid in December)	3 710	2 625
Other benefits	122	33
Incentive scheme	3 454	3 436
Laurence Cohen (FD)	4 852	3 986
Basic salary	2 089	1 958
Pension fund contributions	362	296
Performance bonus (paid in December)	2 332	1 650
Other benefits	69	82

** Independent non-executive director Louis van der Watt resigned from the board on 4 May 2016*

23. Net operating income continued

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

	Pieter Prinsloo Hyprop shares	Laurence Cohen Hyprop shares
Number of shares:		
Balance at 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**
Number of shares:		
Balance at 1 July 2015	59 997	32 677
Allocated during the year	22 563	12 156
Balance at 30 June 2016	82 560	44 833
Market value of shares at 30 June 2016 (R000)	**10 724**	**5 823**

24. Auditor's remuneration

	GROUP June 2016 R000	GROUP June 2015 R000
Auditor's remuneration – fees paid to external auditors for the attest function		
Grant Thornton	2 044	1 878
Ernst & Young	821	
	2 865	1 878
Other auditor's remuneration – internal audit services		
PricewaterhouseCoopers	1 294	1 388
Other auditor's remuneration – other services		
KPMG	1 454	
Grant Thornton	105	69
Ernst & Young	121	
	2 974	1 457

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

25. Employee remuneration

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 retention shares. Both the performance and retention components of the scheme are 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.

25.1 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 a peer group (weighting 40%)
- Share price performance relative to a 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.

25.2 Retention shares

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

25.3 Reconciliation of shares allocated in terms of the CUP

	Number of performance shares	Number of retention shares
Unvested at 30 June 2014	107 563	46 100
Granted	110 422	47 324
Forfeited	(3 368)	(1 443)
Unvested at 30 June 2015	214 617	91 981
Granted	**78 282**	**33 549**
Forfeited	**(7 955)**	**(3 757)**
Vested	**(1 356)**	**(234)**
Unvested at 30 June 2016	**283 588**	**121 539**

25. Employee remuneration continued

25.3 Reconciliation of shares allocated in terms of the CUP continued

	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 options at grant date	R61,50	R54,77
Share price at grant date	R76,50	R76,50
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%	5,75%	5,75%
Dividend yield	5,79%	5,79%
Tranche 2		
Grant date	1 July 2014	1 July 2014
Vesting period ends	30 June 2017	30 June 2019
Fair value of options at grant date	R65,55	R58,12
Share price at grant date	R79,51	R79,51
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%	5,88%	5,88%
Dividend yield	6,01%	6,01%
Tranche 3		
Grant date	1 July 2015	1 July 2015
Vesting period ends	30 June 2018	30 June 2020
Fair value of options at grant date	R105,76	R96,68
Share price at grant date	R121,00	R121,00
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%	5,97%	5,97%
Dividend yield	4,49%	4,49%

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%
Tranche 3		
Performance shares	20%	11%
Retention shares	20%	11%

The charge to the statement of profit or loss and other comprehensive income for the year ended 30 June 2016 amounted to R9,9 million (2015: R6,7 million). As the above are equity-settled shared-based payments, the accounting treatment recognises the share-based payments in profit or loss on a straight-line basis over the vesting period, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

26. Taxation

	GROUP June 2016 R000	GROUP June 2015 R000
Major components of the taxation expense		
Current taxation – current year	7 891	12 353
– prior year	(520)	33
Deferred taxation – current year	43 636	6 637
– prior year	(77)	
Taxation for the year	50 930	19 023
Reconciliation of taxation charge		
Profit before taxation at 28%	789 065	1 063 608
REIT dividend	(422 919)	(369 493)
Permanent differences	(327 005)	(675 445)
Prior year taxation adjustment		
Income taxation	3 657	33
Deferred taxation	6 099	
Reversal of deferred taxation on investment property disposals		(9 082)
Deferred taxation asset not recognised	40 848	14 384
Adjustment in respect of foreign tax rates	(38 563)	(4 982)
Security transfer tax	(252)	
Taxation expense recognised in the statement of profit or loss and other comprehensive income	50 930	19 023
The taxation rate applied in the reconciliations is 28%.		
Permanent differences comprise the following:		
Change in fair value of:		
Investment property	(353 398)	(673 968)
Derivative instruments	14 891	(5 476)
Convertible loan	3 865	
Straight-line rental income accrual	(24 381)	(16 824)
Profit on disposal of assets		(6 788)
African Land restructure		24 119
Other	32 018	3 492
Total permanent differences	(327 005)	(675 445)

27. Dividends

Dividends		
Total dividends declared	1 522 189[1]	1 319 619
Interim dividend in respect of the six months ended 31 December	723 282	638 633
Final dividend in respect of the six months ended 30 June	798 907	680 986
Total dividend per share for the year (cents)	619,9	543,0
Interim dividend in respect of the six months ended 31 December (cents)	297,8	262,7
Final dividend in respect of the six months ended 30 June (cents)	322,1	280,3

[1] *The amount differs to the distributable earnings due to rounding of the dividends per share. Refer to Segmental analysis page 154*

28. Earnings per share

The calculation of basic and headline earnings per share has been based on the following profit attributable to ordinary shareholders, amended as shown in the reconciliation below. The weighted average number of ordinary shares outstanding has been used for both basic and headline earnings, with adjustments for treasury shares held. The effect of all dilutive potential ordinary shares is shown in both the earnings (diluted) and the weighted average number of shares outstanding (diluted).

Earnings	Total GROUP June 2016 R000	Total GROUP June 2015 R000	Diluted GROUP June 2016 R000	Diluted GROUP June 2015 R000
Reconciliation – basic to headline earnings				
Consolidated profit for the year	**2 767 160**	3 779 576	**2 767 160**	3 779 576
Dilutive earnings adjustments			**(14 541)**	(23 800)
Retention share scheme			**(5 507)**	(8 306)
Performance share scheme			**(9 034)**	(15 494)
Profit attributable to shareholders of the company (basic/diluted earnings)	**2 767 160**	3 779 576	**2 752 619**	3 755 776
Headline earnings adjustments	**(1 372 032)**	(2 457 065)	**(1 372 032)**	(2 457 065)
Change in fair value of investment property	**(1 382 134)**	(2 467 113)	**(1 382 134)**	(2 467 113)
Loss on disposal of investment in subsidiary	**10 102**	30 011	**10 102**	30 011
Profit on disposal of investment property		(24 243)		(24 243)
Impairment of goodwill		4 280		4 280
Headline earnings/diluted headline earnings	**1 395 128**	1 322 511	**1 380 587**	1 298 711
Weighted average number of ordinary shares (basic and headline)				
At 30 June 2016, the company had 243 256 092 shares in issue (2015: 243 256 092). Subsequent to year-end, an additional 5 185 186 shares were issued. (August 2016)				
Issued shares at 1 July	**243 256 092**	243 256 092	**243 256 092**	243 256 092
Effect of treasury shares held	**(335 011)**	(153 659)	**(335 011)**	(153 659)
Effect of dilutive shares			**446 677**	272 041
Weighted average shares in issue	**242 921 081**	243 102 433	**243 367 758**	243 374 474
	Cents	Cents	**Cents**	Cents
Earnings and headline earnings per share				
Basic earnings per share	**1 139,1**	1 553,7	**1 131,1**	1 553,7
Headline earnings per share	**574,3**	543,7	**567,3**	543,7

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

29. Notes to the statements of cash flows

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.

		GROUP June 2016 R000	GROUP June 2015 R000
29.1	**Cash generated from operations**		
	Net income before taxation	2 802 971	3 798 599
	Adjustments:	(1 032 975)	(2 081 065)
	Change in fair value: Investment property	(1 380 638)	(2 467 113)
	Change in fair value: Derivatives	59 904	(19 556)
	Investment in subsidiary (African Land)	10 102	
	Profit on disposal: Investment property		(24 243)
	Loss on disposal: Investment in subsidiary		30 011
	Goodwill		4 280
	Share of income from associate	(457)	(652)
	Share of loss from joint venture	41 007	17 447
	Unrealised foreign exchange gain	(177 869)	
	Depreciation	24 738	20 054
	Share-based payment expense	9 919	6 707
	Interest received	(323 759)	(157 344)
	Interest paid	689 935	508 991
	Non-controlling interest's share of current year profits	13 628	
	Loss on write-off of assets		82
	Other non-cash items	515	271
	Operating profit before working capital changes	1 769 996	1 717 534
	(Increase)/decrease in working capital	(60 229)	21 230
	(Increase)/decrease in receivables	(69 288)	19 620
	Decrease/(increase) in working capital included in held-for-sale	6 301	(14 740)
	Increase in payables	2 758	16 350
	Cash generated from operations	1 709 767	1 738 764
29.2	**Taxation paid**		
	Taxation payable at beginning of year	(10 132)	(298)
	Per statements of profit or loss and other comprehensive income	(7 371)	(12 386)
	Taxation payable at end of year	2 037	10 132
		(15 466)	(2 552)

30. Commitments

		GROUP June 2016 R000	GROUP June 2015 R000
30.1	**Capital commitments**		
	Approved and committed	84 245	135 442
	Approved but not yet committed	174 077	145 493
		258 322	280 935
	Capital commitments approved and committed comprise the following:		
	Development costs	84 245	135 442
	– Atterbury Value Mart	27 588	317
	– Somerset Mall	25 242	36 627
	– Woodlands Boulevard	11 164	7 530
	– Canal Walk	9 855	7 288
	– Clearwater Mall	4 942	37 270
	– CapeGate	1 646	251
	– Lakefield Office Park	1 037	
	– The Glen	915	1 716
	– Willowbridge	706	101
	– Somerset Value Mart	650	23
	– Rosebank Mall	500	16 257
	– Hyde Park Corner		28 062
	The above capital expenditure will be financed out of available cash resources, banking facilities and debt capital market funding.		
30.2	**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)	3 093	1 534
	– Medium-term contracts (greater than one year and up to five years)	Nil	Nil
	Contracts which can be terminated on one month's notice have been included for one month only.		

31. Minimum lease payments receivable

	Minimum lease payments comprise contractual rental income and operating expense recoveries from investment property.		
	The minimum lease payments receivable from tenants have been classified into the following categories:		
	– Short term (up to one year)	2 071 775	1 543 812
	– Medium term (greater than one year and up to five years)	4 681 096	3 674 989
	– Long term (greater than five years)	1 171 572	1 184 463

32. Retirement benefits

	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 has no commitments for post-retirement medical aid benefits.		
	Contributions to the pension fund for group risk benefits are recognised as an expense.	10 490	9 246

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

33. Business combinations and transactions with subsidiary

33.1 Subsidiary acquired

On 17 November 2015, Hyprop acquired a 100% interest in Hyprop Ikeja Mall Limited. Hyprop Ikeja Mall Limited holds a 75% interest in Gruppo Investments Nigeria Limited (Gruppo). Gruppo is the owner of Ikeja City Mall in Lagos, Nigeria.

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	June 2016 Consideration transferred R000
Hyprop Ikeja Mall Limited	Property investment company	17 November 2015	100%	707 471
Gruppo Investments Nigeria Limited	Property investment company – renting retail space to tenants	17 November 2015	75%	

33.2 Assets acquired and liabilities recognised at the date of acquisition[1]

	Valuation techniques			
Non-current assets				
Investment property *(Refer to note 2.2 – Investment property)*	Discounted cash flow method (DCF)			2 138 690
Building appurtenances and tenant installations *(Refer to note 3.4 – Building appurtenances and tenant installations)*				5 327
Current assets				
Trade and other receivables				32 766
Cash and cash equivalents				48 964
Non-current liabilities				
Long-term loans	Amortised cost			1 217 968
Deferred taxation				47 909
Current liabilities				
Trade and other payables				151 536
Derivative instrument				2 365
Net assets (100%)				805 969

33.3 Non-controlling interests

The non-controlling interest recognised at the acquisition date was measured with reference to the agreements concluded with non-controlling shareholders	25%[2]	116 632
The non-controlling interest is recognised at its proportionate interest in the subsidiary acquired.		

[1] *All amounts reflect 100% of acquisition values*

[2] *Represents minority interest in Ikeja City Mall, Lagos, Nigeria*

33. Business combinations and transactions with subsidiary continued

		June 2016 Consideration transferred R000
33.4	**Goodwill**	
	Consideration transferred	707 471
	Less: Fair value of identifiable net assets acquired (75%)	(689 337)
	Goodwill	18 134

The goodwill relates to Hyprop's acquisition of Hyprop Ikeja Mall and was calculated in terms of IFRS 3 *Business Combinations*. The goodwill represents the amount by which the consideration paid exceeds the fair value of net assets acquired and has no impact on distributable earnings.

The goodwill arose as a consequence of the effective purchase price for Ikeja City Mall (on the acquisition date of 17 November 2015) being higher than the fair valuation of the property on 31 December 2014.

33.5 Impact of acquisition on results of the group for June 2016

Revenue for the 2016 year includes R226,6 million attributable to revenue from Ikeja City Mall.

Included in profit for the 2016 year is R89,1 million from Ikeja City Mall.

Had the business combination been effected on 1 July 2015, the total Hyprop consolidated revenue would have been R300 million and the total Hyprop consolidated profit would have been R21 million.

33.6	**Net cash outflow on acquisition of Ikeja City Mall**	
	Consideration transferred	
	Cash	707 471
	Less: Cash and cash equivalents acquired	(48 964)
	Net cash outflow	658 507

34. Related-parties and related-party transactions

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

	GROUP June 2016 R000	GROUP June 2015 R000
AttAfrica		
Loan receivable	2 633 939	1 739 053
Interest received	195 852	103 971
Relationship: co-investor and joint venture		
Manda Hill Mauritius		
Loan receivable	624 617	519 072
Interest received	38 705	20 031
Relationship: joint venture		
PDI Investments Limited		
Credit enhancement fee	7 372	
Relationship: co-investor and directorship		

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

35. Financial instruments – Fair values and risk management

35.1 Accounting classifications, fair values and risk association

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The risks associated with the balances are also indicated.

GROUP		Carrying amount		
	Note	Designated at fair value through profit or loss R000	Amortised cost R000	Total R000
June 2016				
Financial assets measured at fair value				
Joint venture – Hystead	6.3	#		
Derivative instruments – non-current	18	49 309		49 309
		49 309		49 309
Financial assets not measured at fair value				
Loans receivable – non-current	10		3 273 289	3 273 289
Loans receivable – current	10		400	400
Trade and other receivables	11		170 764	170 764
Cash and cash equivalents	12		187 754	187 754
			3 632 207	3 632 207
Financial liabilities measured at fair value				
Derivative instruments – non-current	18	101 198		101 198
		101 198		101 198
Financial liabilities not measured at fair value				
Long-term portion of interest-bearing borrowings	17		8 632 036	8 632 036
Short-term portion of interest-bearing borrowings	17		1 294 052	1 294 052
Trade and other payables	20		434 060	434 060
			10 360 148	10 360 148

GROUP		Carrying amount		
	Note	Designated at fair value through profit or loss R000	Amortised cost R000	Total R000
June 2015				
Financial assets measured at fair value				
Derivative instruments – non-current	18	53 132		53 132
		53 132		53 132
Financial assets not measured at fair value				
Loans receivable – non-current	10		2 258 125	2 258 125
Loans receivable – current	10		53 757	53 757
Trade and other receivables	11		81 875	81 875
Cash and cash equivalents	12		73 308	73 308
			2 467 065	2 467 065
Financial liabilities measured at fair value				
Derivative instruments – non-current	18	40 123		40 123
Derivative instruments – current	18	2 629		2 629
		42 752		42 752
Financial liabilities not measured at fair value				
Long-term portion of interest-bearing borrowings	17		5 919 909	5 919 909
Short-term portion of interest-bearing borrowings	17		772 000	772 000
Trade and other payables	20		284 519	284 519
			6 976 428	6 976 428

 # Values less than R1 000

	Fair value and fair value hierarchy				Risks associated with the balance			
	Level 1 R000	Level 2 R000	Level 3 R000	Total R000	Interest rate	Credit	Liquidity	Currency
			#		✓	✓		✓
		49 309		49 309	✓			✓
		49 309	#	49 309				
					✓	✓		✓
					✓	✓		
					✓	✓		
		101 198		101 198	✓		✓	✓
		101 198		101 198				
					✓		✓	
					✓		✓	
					✓			

	Fair value and fair value hierarchy				Risks associated with the balance			
	Level 1 R000	Level 2 R000	Level 3 R000	Total R000	Interest rate	Credit	Liquidity	Currency
		53 132		53 132	✓			✓
		53 132		53 132				
					✓	✓		✓
					✓	✓		
					✓	✓		
		40 123		40 123	✓		✓	✓
		2 629		2 629	✓		✓	✓
		42 752		42 752				
					✓		✓	
					✓		✓	
					✓			

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

35. Financial instruments – Fair values and risk management continued

35.2 Measurement

i. Financial instruments measured at fair value

The following tables show the valuation techniques used in measuring level 2 and 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivatives	**Market comparison:** The valuation of the derivative instruments was determined by discounting the future cash flows using the JIBAR or LIBOR swap curve. Similar contracts are traded in active markets and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Joint venture – Hystead Limited (Hystead)	**Discounted cash flow:** The valuation model considers the present value of the net cash flows expected to be generated by the underlying shopping centres. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Annual growth rate • Exit cap rate	The estimated fair value would increase/ (decrease) if: • The annual growth rate was higher (lower) or • The exit cap rate was lower (higher)

ii. Financial instruments not measured at fair value

Loans receivable	Amortised cost	Not applicable	Not applicable
Trade and other receivables	**Carrying values:** Due to the short-term nature of receivables they are carried at the value expected to be received within the next 12 months as discounting them over months to settlement would not yield substantially different amounts. Their carrying value is considered to reflect their fair value.		
Cash and cash equivalents	The carrying value of cash is considered to reflect its fair value.		
Borrowings and payables	Amortised cost		

iii. Transfers between levels 1 and 2

There were no transfers in either direction between levels 1 and 2 during the current or prior year.

iv. Level 3 fair values

Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values:

	GROUP June 2016 R000	GROUP June 2015 R000
Balance at 1 July		
Acquisition of 60% equity investment in Hystead at cost	#	
Net change in fair value of right to receive dividends	1 472 754	
Deferral of unrealised fair value change calculated with reference to unobservable inputs	(1 472 754)	
Balance at 30 June		

 # Values less than R1 000

There were no transfers out of level 3 during the current or prior year.

35. Financial instruments – Fair values and risk management continued

35.2 Measurement continued

v. Valuation sensitivity analysis

Joint venture – Hystead

For the fair value of the equity investment in Hystead, changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	June 2016 Profit or loss	
	Increase	Decrease
Change in annual growth rate – 1%	33 268	(33 268)
Change in exit cap rate – 1%	(106 202)	106 202

35.3 Financial risk management

The group has exposure to the following risks arising from financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk and
- Currency risk.

i. Risk management framework

The board of directors (board) has overall responsibility for the establishment and oversight of the group's risk management framework. The board reviews and monitors the effectiveness of internal control systems, 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.

Executive management implements controls to ensure the validity, accuracy and completeness of financial information. These controls are reviewed by internal audit. On an operational level, these controls are implemented by the executive committee.

The risk committee has an independent role, operating as an overseer and making 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 main role of the committee is to adopt and implement an appropriate risk management policy, aligned with industry practice. For further detail on the role and mandate of this committee, please refer to its charter online.

ii. Interest rate risk

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 17 – Borrowings* and *note 18 – Derivative instruments*. The average rate of interest at year-end (applicable to total debt) was 6,7% (2015: 7,1%).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

35. Financial instruments – Fair values and risk management continued

35.3 Financial risk management continued

ii. Interest rate risk continued

Exposure to interest rate risk

The interest rate profile of the group's interest-bearing financial instruments as reported to the management of the group is as follows:

	GROUP June 2016 R000	GROUP June 2015 R000
Total bank debt and debt capital market funding:	9 708 925	6 691 909
Less non-controlling interest – Gruppo	(234 307)	
Hyprop exposure	9 474 618	6 691 909
Total fixed debt	7 652 666	6 321 140
Total floating debt	1 821 952	370 769
	9 474 618	6 691 909
Debt at fixed interest rate %	80,8	94,5
South African debt %	89,6	96,7
USD debt %	72,4	89,9
Maturity of fixes years	4,4	4,6
South African debt years	4,9	5,6
USD debt years	3,7	4,1
Cost of funding %		
South African debt %	8,9	8,4
USD debt %	4,6	4,4
EUR debt %	1,7	

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and the group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Interest rate sensitivity analysis for variable rate instruments

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.

Based on year-end floating debt, an interest rate increase/decrease of 150 basis points while all other variables are held constant, would decrease/increase the group's profit for the year ended 30 June 2016 by R27,3 million (2015: R5,6 million).

iii. Credit risk

Receivables

The group is exposed to credit risk due to trade receivables and loans receivable. 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.

The credit risk in respect of loans receivable is generally mitigated by agreements with the counterparty. These agreements include claims which provide legal protection for Hyprop which are common to such agreements.

Guarantees

The off-shore funding provided to Hystead and its subsidiaries has been supported by a guarantee from Hyprop. Hyprop has agreed to guarantee the due and functional performance of obligations in terms of a EUR205 million bridge loan agreement and to give certain undertakings to and in favour of FirstRand Bank Limited (acting through its Rand Merchant Bank division).

35. Financial instruments – Fair values and risk management continued

35.3 Financial risk management continued

iv. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

This risk is minimised by holding cash balances and 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

		Contractual cash flows			
	Carrying amount R000	Total contractual in-/(out) flows R000	One year or less R000	One to five years R000	More than five years R000
Non-derivative financial liabilities					
Long-term portion of interest-bearing borrowings	(8 632 036)	(9 237 368)		(9 237 368)	
Short-term portion of interest-bearing borrowings	(1 294 052)	(1 617 798)	(1 617 798)		
Payables	(434 060)	(434 060)	(434 060)		
	(10 360 148)	(11 289 226)	(2 051 858)	(9 237 368)	
Derivative financial liabilities*					
Interest rate swaps used for hedging	(101 198)	(244 985)	(49 328)	(195 657)	
Total	(10 461 346)	(11 534 211)	(2 101 186)	(9 433 025)	

** The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. These derivative financial instruments are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives as they are net cash settled*

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

35. Financial instruments – Fair values and risk management continued

35.3 Financial risk management continued

v. Currency risk

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which revenue, operating costs and borrowings are denominated and the respective functional currencies of group companies. The primary functional currencies used by the group are the Rand, US Dollar and Euro. The group's investments in sub-Saharan Africa (excluding SA) exposes the group to US Dollar currency risk, while the group's investments in South-Eastern Europe exposes the group to Euro currency risk. Income earned from foreign operations is currently not hedged.

Currency exposure

The summary quantitative data about the group's exposure to currency risk as reported to the management of the group is as follows:

	June 2016			June 2015	
	USD	EUR	ZAR000 equivalent Total	USD*	ZAR000 equivalent Total
Loans receivable	220 564 705	897 756	3 273 289	183 926 879	2 258 125
Trade and other receivables	3 594 675	1 948 643	85 073	2 948	36
Cash and cash equivalents	365 694		5 403	754	9
Borrowings	(316 428 001)		(5 076 480)	(178 628 099)	(2 193 071)
Trade and other payables	(6 300 844)		(93 087)	(775 009)	(9 515)
Net exposure	(98 203 771)	2 846 399	1 805 802	4 527 473	55 584
Forward exchange contracts	(5 673 957)		(83 825)	(1 501 278)	(18 432)
Net exposure	(103 877 728)#	2 846 399	(1 889 627)#	3 026 195	37 152

 # Excludes the fair value of Ikeja City Mall, Lagos Nigeria, which is consolidated with investment property. Refer to note 2 – Investment Property.

Exchange rates

The following significant exchange rates have been applied:

	June 2016		June 2015	
	Average rate	Year-end spot	Average rate	Year-end spot
USD1	14,50	14,77	11,45	12,28
EUR1	16,97	16,40	*	*

Currency risk sensitivity analysis

A strengthening/(weakening) of the Euro and US Dollar against the Rand at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

			June 2016 Profit or loss		June 2015 Profit or loss	
	June 2016 Change vs ZAR	June 2015 Change vs ZAR	Strengthening	Weakening	Strengthening	Weakening
USD1	10%	1%	(103 308)	103 308	372	(372)
EUR1	12%		5 419	(5 419)	*	*

			June 2016 Other comprehensive income	
	June 2016 Change vs ZAR	June 2015 Change vs ZAR	Strengthening	Weakening
USD1	10%	1%	(146)	146
EUR1	12%		**	**

**No comparative is shown for EUR as there was no EUR exposure in the prior year*
***No movement is shown due to the deferral of recognition of Hystead*

36. Capital management

Hyprop's capital consists of equity and long-term debt in the form of bank debt and debt capital market funding. The company's capital management objective is to maintain a strong capital base to provide sustainable returns to shareholders over the long term. The company's borrowings are limited by its Memorandum of Incorporation and the JSE Listings Requirements to 60% (2015: 60%) of the directors' bona fide valuation of the consolidated property portfolio.

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

	GROUP June 2016 R000	GROUP June 2015 R000
Value of property portfolio*	33 368 587	28 565 526
60% thereof	20 021 152	17 139 316
Total gross borrowings (long term and short term)	9 926 088	6 691 909
Unutilised borrowing capacity	10 095 064	10 447 407

**Refer to Segmental analysis*

At year-end, long-term borrowings may become payable in accordance with the terms of the loan arrangements. The group's policy is to refinance borrowings (in line with its capital objective above), whilst servicing interest. Following year-end R1,2 billion of bank debt matured. This was refinanced with debt capital market funding and accordingly no cash outflow was required to settle the maturing bank debt.

37. Events after the reporting date

37.1 Disposal of investment property

Subsequent to year-end, Somerset Value Mart and Glenfield Office Park were sold for R185 million and R180 million respectively. Transfer of Somerset Value Mart is imminent while transfer of Glenfield Office Park is subject to approval from competition authorities. The proceeds from both disposals will be applied to reduce debt.

37.2 Refinancing of debt capital market (DCM) funding

Subsequent to year-end, a maturing South African bank debt facility amounting to R1,2 billion was refinanced with DCM funding (three, four and five-year corporate bonds). This increased the ratio of DCM funding to total debt to approximately 25% (30 June 2016: 15%). All of Hyprop's DCM funding is unsecured.

37.3 Issue of shares and antecedent dividend

Subsequent to year-end, 5,2 million new shares were issued at R135 per share. The issue of new shares after year-end but prior to the record date for the final distribution resulted in an antecedent dividend amounting to R16,7 million**. In accordance with industry best practice, the antecedent dividend was added back in the calculation of distributable earnings for the year.

The proceeds of the equity issue will be applied to the reduction of Rand-denominated debt and to ongoing capital expenditure in the South African portfolio.

***In the summarised consolidated results published on 2 September 2016, the antecedent dividend was reflected as R32,1 million. The correct figure is R16,7 million. The higher number was calculated by applying the antecedent dividend per share to the full year dividend, while the more correct method for calculating the antecedent dividend calculates the amount based on the final dividend only.*

The antecedent dividend is a theoretical amount, determined and disclosed only by industry best practice. The above change therefore has no impact on the actual dividend paid (either in total or per share) or on earnings per share or headline earnings per share. The change also has no impact on the IFRS compliant group or company annual financial statements.

SEGMENTAL ANALYSIS

for the year ended 30 June 2016

	Property portfolio		
	Rentable area m^2	Total value R000	Value attributable to Hyprop R000
June 2016			
Shopping centres	649 479	27 842 900	25 282 472
Value centres	47 785	1 109 000	1 109 000
Total retail	697 264	28 951 900	26 391 472
Standalone offices	4 468	108 300	108 300
Held-for-sale[1]	85 024	1 230 775	1 230 775
Investment property	786 756	30 290 975	27 730 547
Investments in sub-Saharan Africa (excluding South Africa)			5 638 040
Investments in South-Eastern Europe			
Other South African subsidiaries			
Fund management			
Net interest			
Straight-line rental income accrual			
Antecedent dividend			
Investment property – group	786 756	30 290 975	33 368 587
Reconciliation to statement of financial position			
Centre management assets			6 465
Held-for-sale[2]			12 816
Investment in associate			766
Loan receivable			14 732
Goodwill			18 134
Derivative instruments			49 309
Other current assets			378 151
			33 848 960
June 2015			
Shopping centres	642 977	26 244 000	23 790 630
Value centres	47 785	1 112 000	1 112 000
Total retail	690 762	27 356 000	24 902 630
Standalone offices	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
Investments in sub-Saharan Africa (excluding South Africa)			2 339 121
Investments in South African subsidiaries			
Fund management			
Net interest			
Straight-line rental income accrual			
Investment property – group	780 072	28 679 775	28 565 526
Reconciliation to statement of financial position			
Centre management assets			2 274
Held-for-sale[2]			9 287
Investment in associate			827
Derivative instruments			53 132
Other current assets			224 750
			28 855 796

[1] *Willowbridge, Somerset Value Mart, Lakefield Office Park, Glenwood Office Park and Glenfield Office Park*
[2] *Working capital held-for-sale*

	Statement of profit or loss and other comprehensive income		Statement of financial position		
	Revenue R000	Distributable earnings R000	Receivables R000	Payables R000	Loans R000
	2 413 365	1 633 312	74 083	245 517	
	129 153	96 124	4 110	10 253	
	2 542 518	1 729 436	78 193	255 770	
	11 545	6 694	390	1 261	
	190 630	112 021	9 471	27 868	
	2 744 693	1 848 151	88 054	284 899	
	211 058	83 654	88 419	156 803	5 293 643
		31 944			
	20 669	1 000	3 853	4 129	
		(64 922)	7 938	108 440	4 632 445
		(394 310)			
	101 801				
		16 704			
	3 078 221	1 522 221	188 264	554 271	9 926 088
			(9 471)	(27 868)	
	3 078 221	1 522 221	178 793	526 403	9 926 088
	2 219 988	1 500 388	67 234	244 454	
	120 286	89 544	5 469	10 338	
	2 340 274	1 589 932	72 703	254 792	
	10 563	6 209	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	9 122	
	25 807	4 243	8 806	8 964	
		(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
Note			*11*	*20*	*17*

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2016

Reconciliation to statement of profit or loss and other comprehensive income

A reconciliation of distributable earnings to net income after taxation is as follows:

	GROUP June 2016 R000	GROUP June 2015 R000
Distributable earnings	**1 522 221**[1]	1 319 619
Adjusted for:		
Antecedent dividend (refer to *note 37.3 – Issue of shares and antecedent dividend)*	**(16 704)**	
Change in fair value of investment property	**1 382 134**	2 467 113
Change in fair value of derivatives	**(53 182)**	19 556
Profit on disposal of investment property		24 243
Loss on disposal of investments		(30 011)
Change in fair value of joint venture	**(10 102)**	(4 280)
Investments in sub-Saharan Africa (excluding SA)	**35 487**	(8 444)
Investments in South African subsidiaries	**(1 560)**	11 424
Investments in South-Eastern Europe	**(24 572)**	
Capital items not included for distribution purposes	**(15 632)**	(621)
Taxation	**(50 930)**	(19 023)
Net income after taxation	**2 767 160**	3 779 576
Shares in issue for distribution per share (excludes treasury shares)	**248 030 619**	242 990 433
Refer to financial director's report on page 23		
Distribution per share (based on distributable earnings)	**619,9**	543,0

[1] *This amount differs to the actual dividend disclosed due to rounding of the dividend per share. Refer to note 27 – Dividends*

SHAREHOLDER INFORMATION



CapeGate, Cape Town, Western Cape

SHAREHOLDER ANALYSIS

30 June 2016

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	6 691	56,57	3 032 104	1,25
1 001 – 10 000 shares	4 146	35,05	12 337 836	5,07
10 001 – 100 000 shares	743	6,28	22 431 728	9,22
100 001 – 1 000 000 shares	202	1,71	61 366 086	25,23
1 000 001 shares and over	46	0,39	144 088 338	59,23
Total	**11 828**	**100,00**	**243 256 092**	**100,00**
Distribution of shareholders				
Banks/brokers	168	1,42	54 833 580	22,55
Close corporations	103	0,87	393 434	0,16
Endowment funds	185	1,56	1 965 191	0,81
Individuals	7 953	67,23	13 037 872	5,36
Insurance companies	77	0,65	12 876 340	5,29
Investment companies	9	0,08	653 912	0,27
Medical schemes	15	0,13	254 139	0,10
Mutual funds	294	2,49	72 252 345	29,70
Other corporations	138	1,17	289 275	0,12
Own holdings	1	0,01	410 659	0,17
Private companies	332	2,81	4 351 705	1,79
Public companies	6	0,05	3 589 825	1,48
Retirement funds	243	2,05	67 272 435	27,65
Trusts	2 304	19,48	11 075 380	4,55
Total	**11 828**	**100,00**	**243 256 092**	**100,00**
Public/non-public shareholders				
Non-public shareholders	**14**	**0,13**	**37 997 955**	**15,62**
Directors of the company	9	0,08	4 118 703	1,69
Own holdings	2	0,02	0	0,00
Strategic holdings (more than 10%)	3	0,03	33 879 252	13,93
Public shareholders	**11 814**	**99,87**	**205 258 137**	**84,38**
Total	**11 828**	**100,00**	**243 256 092**	**100,00**
Beneficial shareholders holding 5% or more				
Government Employees Pension Fund			33 808 325	13,90

SHAREHOLDERS' DIARY

for the year ended 30 June 2016

Financial year-end	30 June 2016
Publication of financial results	2 September 2016
Annual general meeting	1 December 2016
Integrated annual report available to shareholders	31 October 2016
Publication of interim report	March 2017

DISTRIBUTION DETAILS

	2016 (cents per share)	2015 (cents per share)
Six months ended:		
30 June	322,1	280,3
31 December	297,8	262,7
	619,9	543,0

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

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
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown
2193



PROPERTY INVESTMENT EXCELLENCE

2nd Floor
Cradock Heights
21 Cradock Avenue
Rosebank 2196