Notes to the consolidated financial statements continued

for the year ended 30 June

35. 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% (2017: 60%) of the directors' bona fide valuation of the consolidated property portfolio.

Hyprop's (theoretical) unutilised borrowing capacity can be summarised as follows[1]:

	2018 R000	2017 R000
Value of property portfolio[1] [2]	33 996 901	33 249 951
60% thereof	20 398 141	19 949 971
Total gross borrowings (long term and short term)[3]	(7 884 994)	(8 900 638)
Unutilised borrowing capacity[4]	12 513 147	11 049 332

[1] *Excludes investments in South-Eastern Europe*
[2] *Refer to segmental analysis*
[3] *Excludes Euro debt*
[4] *In practice the board would be unlikely to allow gearing levels to increase to 60% or even close to 60% (in the absence of a specific transaction). The current long-term preferred gearing level is 35%*

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 the capital portion of the borrowings (in line with its capital objective above), while servicing interest.

The group is subject to various capital covenants imposed by lenders, which are managed as part of the overall funding and capital management process. The company has complied with all capital covenants specified in the debt agreements.

36. Events after the reporting date

Additional investment in Hystead

In July 2018, Hyprop converted some short-term loans, extended to Hystead, to equity to the value of R40,7 million.