

# Notes to the consolidated financial statements continued

for the year ended 30 June

## 8. Financial guarantees

Hyprop provided guarantees to banks for the funding provided for the acquisition of each of Hystead's investments in South-Eastern Europe (refer to *note 2.4 – Encumbered investment property* and *note 34 – Financial instruments – Fair values and risk management*).

Hyprop has guaranteed the obligations underlying the Euro funding agreements (EUR111,5 million and EUR164 million) and has given certain undertakings to and in favour of Rand Merchant Bank, Standard Bank and Nedbank.

During the year 46% of the loans guaranteed by Hyprop were refinanced through in-country asset backed finance, with 54% of the funding in Hystead secured by shareholder guarantees at 30 June 2018.

Per the shareholders' agreement, Hyprop guarantees 90% of the funding and PDI Investment Holdings Limited (PDI, the 40% shareholder) 10%. PDI has provided back-to-back guarantees to Hyprop for a further 11,7% of the total guaranteed amount and for the remaining, disproportionate 18,3% that Hyprop guarantees, it receives 60% of the related PDI dividend (the credit enhancement fee).

### 8.1

|                                       | 2018<br>R000 | 2017<br>R000 |
|---------------------------------------|--------------|--------------|
| Credit enhancement fee <sup>(1)</sup> | 46 671       | 36 931       |

<sup>(1)</sup> included in the consolidated statement of profit or loss and other comprehensive income under other income

This agreement is in place until May 2021, when the shareholders' agreement expires.

Recognition of the revised guarantees at fair value resulted in a credit to the statement of profit or loss and a change in the fair value of the financial asset and the financial liability relating to the investment in Hystead.

The valuation of these guarantees is dependent on estimated credit spreads, forecast cash flows and forecast interest rates, which require significant judgement.

### 8.2

|                                         | 2018<br>R000 | 2017<br>R000 |
|-----------------------------------------|--------------|--------------|
| <b>Balance at 1 July</b>                | 163 855      |              |
| Net change                              | 21 831       | 163 855      |
| Recognition of new financial guarantees | 33 815       | 163 855      |
| Derecognition of guarantees             | (11 984)     |              |
| <b>Balance at 30 June</b>               | 185 686      | 163 855      |

## 9. Other investment

Details of the group's other 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 |           |
|-------------------------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------------|-----------|
|                                                 |                                                                |                                      | 2018<br>%                        | 2017<br>% |
| 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 neither participates on the board of AttAfrica SA, nor does it have significant influence over the entity. Therefore the investment is not an associate, nor is it equity accounted. The investment is carried at cost.

|                                   | 2018<br>R000 | 2017<br>R000 |
|-----------------------------------|--------------|--------------|
| Balance at beginning of the year  | (2)          | (2)          |
| <b>Balance at end of the year</b> | (2)          | (2)          |

<sup>(2)</sup> Value less than R1 000

No impairment was recognised during the current year.