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 R000	2017 R000
Credit enhancement fee[1]	46 671	36 931

[1] *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 R000	2017 R000
Balance at 1 July	163 855	
Net change	21 831	163 855
Recognition of new financial guarantees	33 815	163 855
Derecognition of guarantees	(11 984)	
Balance at 30 June	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 %	Proportion of ownership interest 2017 %
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 R000	2017 R000
Balance at beginning of the year	[2]	[2]
Balance at end of the year	[2]	[2]

[2] *Value less than R1 000*

No impairment was recognised during the current year.

9. Other investment continued

The numbers below reflect 100% of AttAfrica SA:

	2018 R000	2017 R000
Statement of financial position – AttAfrica SA		
Total assets	15 161	11 711
Non-current assets	1 863	1 133
Current assets[1]	13 298	10 578
Total liabilities	(16 881)	(14 494)
Non-current liabilities[2]	(1 300)	(1 300)
Current liabilities	(15 581)	(13 194)
Net liabilities	(1 720)	(2 783)
[1] Current assets include cash and cash equivalents	3 029	4 887
[2] Includes non-current financial liabilities	(1 300)	(1 300)
Statement of profit or loss and other comprehensive income – AttAfrica SA		
Total revenue	26 707	24 593
Total profit/(loss) for the year	1 064	(4 754)

10. Loans receivable

			Foreign currency 2018 '000	Foreign currency 2017 '000	2018 R000	2017 R000
10.1	**USD loan – AttAfrica**	Net	USD173 350	USD187 372	2 375 009	2 444 203
	The loan represents 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 and has a 37,5% equity interest in AttAfrica.	Gross	USD184 757	USD189 317	2 531 287	2 469 580
		Impairment	(USD11 407)	(USD1 945)	(156 278)	(25 377)
10.2	**USD loan – Manda Hill Mauritius**	Net	USD39 685	USD42 279	543 712	551 515
	The loan is unsecured, and bears interest at a variable rate which equates to Hyprop Mauritius' 50% share of distributable income from Manda Hill Mauritius. The loan is not repayable in the next 12 months.	Gross	USD42 279	USD42 279	579 252	551 515
		Impairment	(USD2 594)		(35 540)	
10.3	**EUR loan – Vondelvlag Holding**	Gross	EUR1 020	EUR1 020	16 323	15 199
	The EUR1,04 million loan is unsecured, bears interest at 3,15%, payable quarterly, and is repayable in April 2021.					
10.4	**EUR loan – Vondelvlag Stichting**	Gross	EUR150	EUR150	2 400	2 235
	The EUR150 000 loan facility, of which EUR144 894 has been drawn down, is unsecured, bears interest at 3,15%, payable quarterly, and is repayable in April 2021.					
10.5	**EUR loan – Hystead Limited**	Gross	EUR2 544		40 716	
	The EUR2,5 million loan facility is unsecured and bears no interest. It is short term and was converted to equity after year-end.					
					2 978 160	3 013 152
	Reconciliation to the statement of financial position					
	Non-current loans receivable from joint ventures				2 918 721	2 995 718
	Non-current loans receivable				18 723	17 434
	Current loans receivable				40 716	
	Total				2 978 160	3 013 152