D6.4 Income exempt from tax and non-tax deductible expenses

	GROUP		COMPANY	
	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Income exempt from tax and non-tax deductible expenses comprises the following:				
Changes in fair value:				
Investment property	44 473	(182 436)	44 473	(182 436)
Derivative instruments	12 908	(8 144)	10 526	(4 133)
Financial asset	23 864	(24 573)	23 864	(24 573)
Convertible loan – Gruppo	(16 300)	20 760	–	–
Derecognition of financial guarantees	(51 992)	(3 356)	(61 258)	(21 635)
Straight-line rental income accrual	22 792	1 315	22 792	1 315
Profit on disposal of assets	(791)	(755)	(791)	(755)
Non-taxable dividend received	(61 933)	(50 547)	(61 933)	(66 060)
Impairment of joint venture	–	2 829	–	–
Impairment of loan to joint venture/intercompany loan	427 642	46 603	415 909	–
Impairment in investment in subsidiary	–	–	4 562	130 188
Reversal of wear and tear allowances on asset sales	(8 510)	(265)	(8 510)	(264)
Other	681	13 837	1 116	4 096
Total income exempt from tax and non-tax deductible expenses	392 834	(184 732)	390 750	(164 257)
Net unrecognised tax losses	–	–	–	–
Assessed tax losses available for utilisation against future taxable income	279 008	279 008	279 008	279 008
Applied to reduce deferred taxation liability	(279 008)	(279 008)	(279 008)	(279 008)

E. PROPERTY INVESTMENTS AND RELATED ITEMS

E1 INVESTMENT PROPERTY

E1.1 Accounting policy

Investment properties are properties held to earn rental income and/or for capital appreciation.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

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

Investment property is subsequently measured at fair value as determined on at least an annual basis by an independent registered valuer, or fair value less cost to sell, based on market evidence.

Gains or losses arising from changes in fair value, after deducting the straight-line rental income accrual, 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 has been sold, but not yet transferred to the purchaser at year-end, the fair value is determined as the sale price.

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.

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

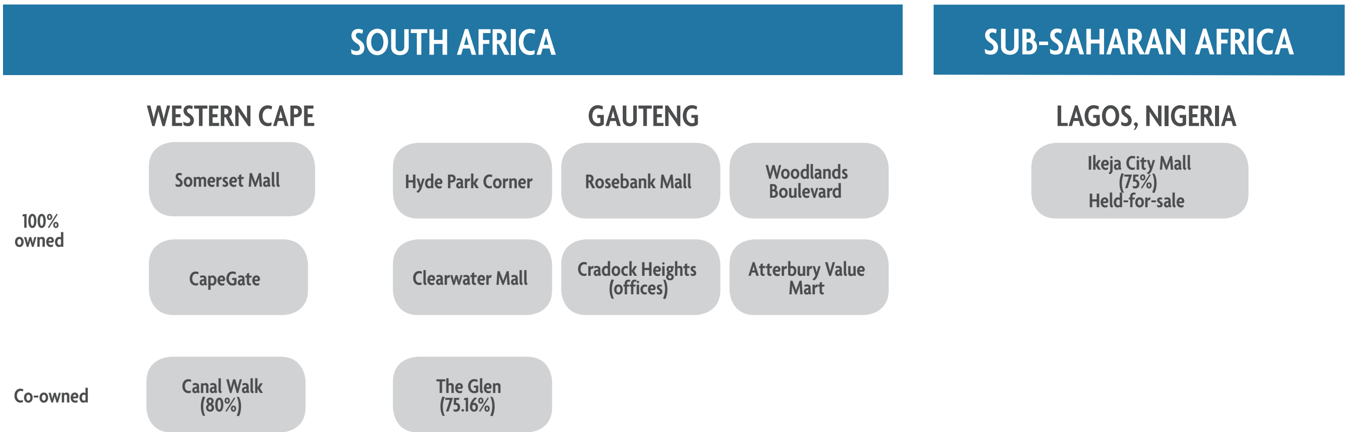
E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E1 INVESTMENT PROPERTY continued

E1.2 Key assumptions and estimations

Investment property valuations	The valuation of investment properties requires judgement in the determination of, inter alia, future cash flows, appropriate discount rates and capitalisation rates. Refer: E1.7.3

E1.3 Profile



		GROUP		COMPANY	
		30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
E1.4	**Net carrying value**				
	Historical cost	14 897 979	14 973 825	12 702 164	12 847 920
	Accumulated fair value movements	15 067 836	15 361 867	15 325 157	15 438 284
	Assets classified as held-for-sale	(1 938 494)	(194 665)	–	(194 665)
	Total investment property	28 027 321	30 141 027	28 027 321	28 091 539
E1.5	**Movement reconciliation**				
	Investment property at valuation at 1 July	30 141 027	29 128 477	28 091 539	27 176 840
	Capital expenditure	95 064	263 640	94 670	262 654
	Disposals	(55)	–	(55)	–
	Currency translation difference	67 016	98 216	–	–
	Net change in fair value	(337 238)	650 206	(158 832)	651 558
	Change in fair value	(425 125)	646 359	(240 231)	646 862
	Straight-line rental income accrual	87 887	3 847	81 399	4 696
	Interest capitalised	–	6 665	–	6 665
	Transfer to non-current assets held-for-sale	(1 938 494)	(6 177)	–	(6 178)
	Total investment property	28 027 321	30 141 027	28 027 321	28 091 539
E1.6	**Reconciliation to independent valuation**				
	Net carrying value of investment property	28 027 321	30 141 027	28 027 321	28 091 539
	Straight-line rental income accrual	448 917	550 182	448 917	530 316
	Building appurtenances and tenant installations	162 288	163 068	162 288	159 911
	Centre management assets	(1 808)	(5 076)	(1 808)	(1 919)
	Independent valuation[1]	28 636 718	30 849 201	28 636 718	28 779 847

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

Refer to section C – Segmental analyses, for a breakdown of investment property, contractual rental income and property expenses by segment.

Interest rate used to calculate interest capitalised (%)	N/A	8.3	N/A	8.3

E1.7 Valuation methodology

The group's policy is to obtain independent valuations of the investment properties and to report investment properties at that value. The South African properties are independently valued, every six months, while properties held by subsidiaries or associates of AttAfrica and Hystead are independently valued on an annual basis.

The valuation methods applied by independent valuers are the same as those used in the prior year.

E1.7.1 Who

Valuations of the South African investment properties were performed by valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act 47 of 2000. Valuations of the non-South African properties were performed by valuers who are members of the Royal Institution of Chartered Surveyors (RICS), as detailed below:

Company and lead valuer	Qualification	Properties valued
Viking Valuation Trevor King Managing director	BSc Hons (Building Science, UCT), Dip Surveying (UK, Reading University), Professional Registered Valuer and member of SA Council for the Property Valuers Profession, Chartered Valuation Surveyor and Associate Member of the Royal Institute of Chartered Surveyors (MRICS).	Eight South African properties (retail and office)
Jones Lang LaSalle (JLL) Joshua Askew Head of valuation: Sub-Saharan Africa, National Director	BA (Hons) English and philosophy, MA Property Valuations and Property Law, Fellow of and Registered Valuer of the Royal institute of Chartered Surveyors (FRICS and RICS), Licensed Pfandbrief MLV Valuer, Recognised European Valuer.	The Glen and Clearwater Mall (retail)
Mills Fitchet Thomas Bate Partner/member	BSc (Urban Land Economics) University of Westminster London, MSc (Reading University UK), Chartered Valuation Surveyor (RICS).	Ikeja City Mall (Lagos, Nigeria) (retail)

E1.7.2 How

Details of the valuation methodologies used in valuing investment property, as well as the significant unobservable inputs used, are set out in the table below:

<table>
<tr><th>Type</th><th>Valuation methodology</th><th>Unobservable inputs</th><th>Inter-relationship between unobservable inputs and fair value measurement</th></tr>
<tr><td>Investment properties – continuing operations</td><td>Discounted cash flow: The valuation models calculate the present value of the future net cash flows expected to be generated by each investment property. The cash flow projections include specific estimates for five years. The expected net cash flows are discounted using a risk adjusted discount rate as well as a risk adjusted cap rate.</td><td>• Estimated rentals at the end of the lease
• Vacancy levels
• Discount rate, and
• Reversionary capitalisation rate.</td><td rowspan="2">The estimated fair value increases if:
• The estimated rentals increase
• Vacancy levels decline,
• Discount rates (market yields) decline or
• Reversionary capitalisation rates decline
(and vice versa).</td></tr>
<tr><td>Investment properties – held-for-sale</td><td>Fair value less costs to sell: Investment property held-for-sale is measured at fair value less costs to sell (FVLCTS) which, in instances where the property is already sold, but not yet transferred, is based on the sale price.</td><td>• Estimated rentals at the end of the lease
• Vacancy levels
• Discount rate
• Reversionary capitalisation rate, and
• Costs to sell.</td></tr>
</table>

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E1 INVESTMENT PROPERTY continued

E1.7.3 Valuation assumptions

The key assumptions used by the valuers in determining the fair values of the investment properties are in the following ranges:

	GROUP		COMPANY	
	30 June 2019 %	30 June 2018 %	30 June 2019 %	30 June 2018 %
Unobservable inputs				
Reversionary capitalisation rates	6,5 to 8,8	6,3 to 8,5	6,5 to 8,8	6,3 to 8,3
Weighted average reversionary capitalisation rates	6,9	6,7	6,8	6,6
Discount rate	10,5 to 14,3	12,3 to 14,5	12,3 to 14,3	12,3 to 14,3
Weighted average discount rate	12,4	12,4	12,5	12,5
Retail vacancy levels	0,3 to 2	0,5 to 2	0,3 to 2	0,5 to 2
Office vacancy levels	0,5 to 0,8	0,5 to 2	0,5 to 0,8	0,5 to 2
Average market rental growth rate	5,8	6,0	5,8	6,0

E1.7.4 Valuation sensitivity

The valuations of the investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property in the statement of profit or loss.

			GROUP		COMPANY	
			(decreases are indicated by brackets)			
Input	June 2019 % change	June 2018 % change	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Increase in reversionary capitalisation rates	0,25	0,25	723 337	760 237	723 337	721 666
Decrease in reversionary capitalisation rates	0,25	0,25	(778 519)	(817 786)	(778 519)	(776 878)
Increase in discount rate	0,25	0,25	274 057	293 838	274 057	274 435
Decrease in discount rate	0,25	0,25	(277 580)	(297 617)	(277 580)	(277 962)
Increase in average market rental growth rate	0,25	0,25	279 416	281 791	261 581	262 889
Decrease in average market rental growth rate	0,25	0,25	(302 940)	(305 515)	(283 603)	(285 021)

** Prior year sensitivities have been recalculated to take into account time value.*

E1.8 Mortgaged properties

First mortgage bonds have been registered over South African investment property as well as sub-Saharan African investment property as security for secured interest-bearing borrowings.

In the case of Standard Bank and Rand Merchant Bank, properties are mortgaged to secure a pool of both consolidated and non-consolidated borrowings.

		GROUP		COMPANY	
	Note	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Fair value of investment property mortgaged as security		25 299 216	25 507 201	23 360 700	23 437 847
Comprising: Canal Walk, The Glen, Somerset Mall, Woodlands Boulevard, Clearwater Mall, Ikeja City Mall (held-for-sale) and Atterbury Value Mart.					
Total secured borrowings	H1.4	(10 760 655)	(10 986 353)	(4 190 131)	(6 283 679)
Secured borrowings (consolidated)		(4 229 324)	(5 302 213)	1 558 308	(599 539)
Secured borrowings held-for-sale (consolidated)		(782 892)	–	–	–
Secured borrowings (non-consolidated)[1]		(5 748 439)	(5 684 140)	(5 748 439)	(5 684 140)

[1] Non-consolidated borrowings comprise loans advanced to Hystead Limited and its subsidiaries, which have been guaranteed by Hyprop Investments Limited. Hyprop's obligations under these guarantees are secured by mortgage bonds over certain of Hyprop's properties as described above.

E1.9 Straight-line rental income accrual

	GROUP		COMPANY	
	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Balance at the beginning of the year	550 182	553 119	530 316	535 012
Foreign currency translation difference	650	910	–	–
Reversal during the year	(87 887)	(3 847)	(81 399)	(4 696)
Reallocated to assets-held-for-sale	(14 028)	–	–	–
Balance at the end of the year	448 917	550 182	448 917	530 316

E2 BUILDING APPURTENANCES AND TENANT INSTALLATIONS

E2.1 Accounting policy

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, to the estimated residual value, in equal monthly instalments over the estimated useful lives of the assets as follows:

Building appurtenances – 3 to 15 years
Tenant installations – period of lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary. There were no adjustments in the current and prior years.

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the group and the cost thereof can be reliably measured. All other expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses on the disposal of building appurtenances and tenant installations are recognised in profit or loss and are calculated as the difference between the proceeds and the carrying value of the item sold.

E2.2 Net carrying value

	GROUP		COMPANY	
	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Cost				
Building appurtenances	256 158	234 018	256 158	223 444
Tenant installations	77 338	68 475	77 338	68 475
Total cost	333 496	302 493	333 496	291 919
Accumulated depreciation				
Building appurtenances	122 950	100 165	122 950	92 748
Tenant installations	48 258	39 260	48 258	39 260
Total accumulated depreciation	171 208	139 425	171 208	132 008
Net carrying value				
Building appurtenances	133 208	133 853	133 208	130 696
Tenant installations	29 080	29 215	29 080	29 215
Total net carrying value	162 288	163 068	162 288	159 911

E2.3 Movement for the year

	GROUP		COMPANY	
	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Net carrying value – at the beginning of the year	163 068	148 530	159 911	145 511
Capital expenditure	45 051	52 104	43 457	50 428
Foreign currency translation movement	103	147	–	–
Disposals	(201)	–	(201)	–
Assets written off	–	67	–	–
Classified as held-for-sale	(3 524)	369	(356)	369
Depreciation	(42 209)	(38 149)	(40 523)	(36 397)
Net carrying value at the end of the year	162 288	163 068	162 288	159 911

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

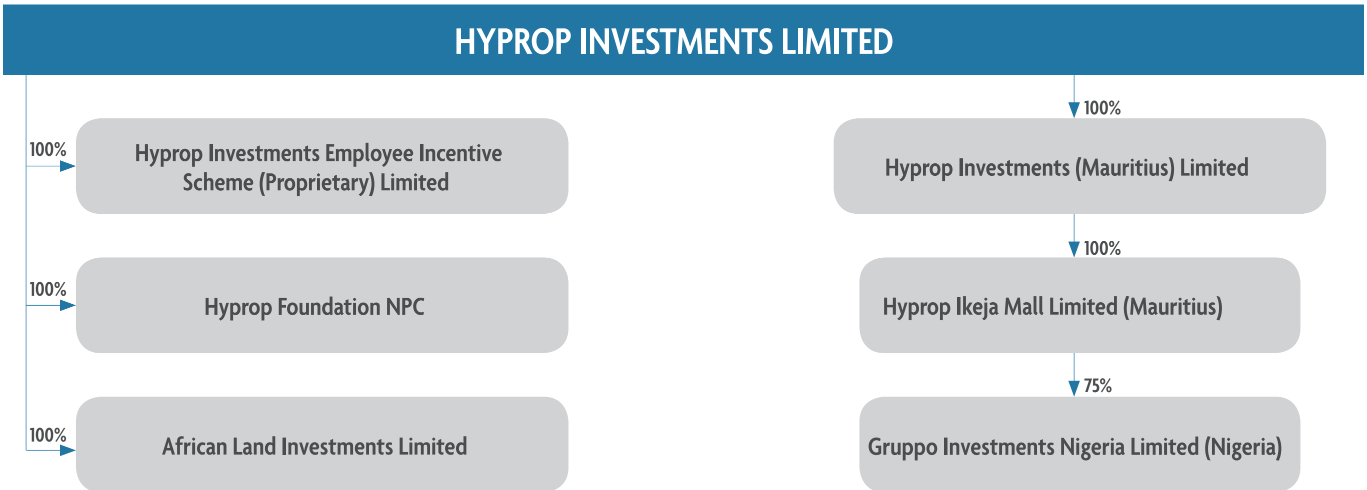
E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E3 INVESTMENTS IN SUBSIDIARIES

E3.1 Accounting policy election

Investments in subsidiaries, joint operations	In terms of IAS 27: *Investments in subsidiaries, associates and joint arrangements*, these investments can be accounted for in the separate financial statements either at: cost; or at fair value in accordance with IFRS 9: *Financial instruments*; or using the equity method as described in IAS 28: *Investments in associates and joint ventures*.	The group has elected to recognise these investments at cost less impairments in the separate financial statements.

E3.2 Profile



Name and country of incorporation/operation	Status	Nature of activities	% held[1] 30 June 2019 %	30 June 2018 %
Incorporated and operating in South Africa				
African Land Investments Limited	Dormant	Dormant	100,0	100,0
Hyprop Investments Employee Incentive Scheme Proprietary Limited	Active	Hedging the obligations arising from share allocations made to employees.	100,0	100,0
Hyprop Foundation NPC	Active	Coordination of Hyprop's corporate social investment initiatives.	100,0	100,0
Incorporated and operating in Mauritius				
Hyprop Investments (Mauritius) Limited	Active	Indirect investment in and development of income-producing properties in sub-Saharan Africa (excluding SA).	100,0	100,0
Hyprop Ikeja Mall Limited	Active	Holding company for Gruppo.	100,0	100,0
Incorporated and operating in Nigeria				
Gruppo Investments Nigeria Limited	Held-for-sale	Owner of Ikeja City Mall.	75,0	75,0

[1] *Proportion of ownership interest and voting power held by the group.*

E3.3 Carrying value

	COMPANY	
	30 June 2019 R000	30 June 2018 R000
Shares at cost		
African Land	758 264	758 264
Hyprop share scheme	*	*
Hyprop Foundation	*	*
Hyprop Mauritius	*	*
Total cost	758 264	758 264

** Amounts less than R1 000.*

Details of loans to subsidiaries are set out in note F1 – *Loans receivable*.

The fair value of the shares in African Land has been assessed taking into account the loan payable by Hyprop to African Land (see note H1.4).

E3.4 Movement for the year

	30 June 2019 R000	30 June 2018 R000
Net carrying value at the beginning of the year	758 264	1 156 008
Recognition of new guarantees	–	102 387
Reallocations to Loans receivable	–	(35 173)
Impairments[2]	–	(464 958)
Total net carrying value	758 264	758 264

[2] *An impairment test was performed at year end and the investment of Hyprop Mauritius was impaired to R0 due to the negative net asset value in Hyprop Mauritius.*

E4 INVESTMENTS IN JOINT ARRANGEMENTS

E4.1 Accounting policy

Joint arrangements are those entities over which the group has joint control, established by contractual agreements requiring unanimous consent for decisions about relevant activities that significantly affect the returns of the arrangements. Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of the investor, and are accounted for as follows:

Joint operation – When the group has rights to the assets and obligations for the liabilities relating to a joint arrangement, it accounts for its proportionate share of the assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation, in accordance with the applicable IFRS.

Joint venture – When the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The above treatment will apply in all cases, except:

Held-for-sale – When the investment is classified as held-for-sale, it is accounted for in accordance with IFRS 5: *Non-current assets held-for-sale*.

Financial asset – When the investment is classified as a financial asset, it is accounted for in accordance with IFRS 9: *Financial instruments*.

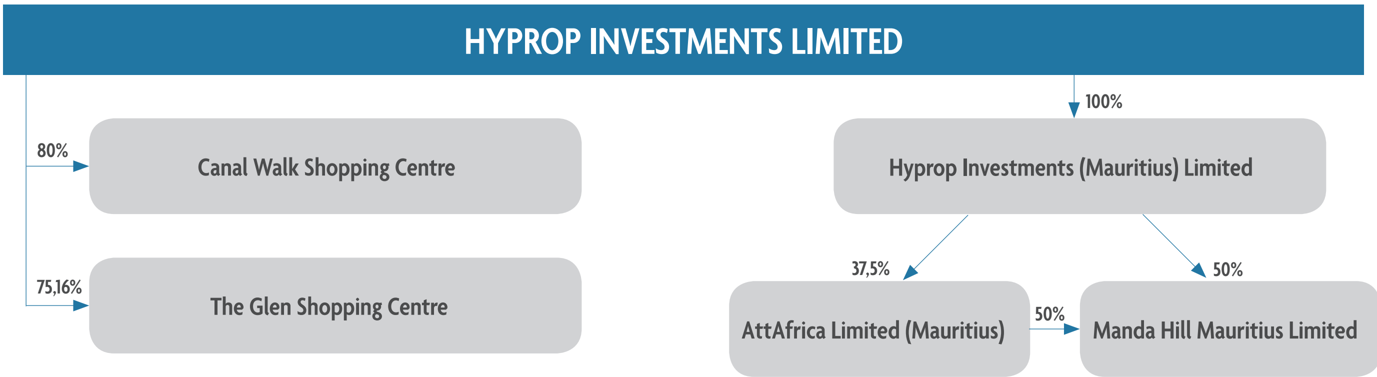
Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E4 INVESTMENTS IN JOINT ARRANGEMENTS continued

E4.2 Profile



The group's direct and indirect holdings in joint arrangements and associates are summarised below:

Name	Principal place of business	Partner/co-investor	Status	Effective economic interest held % 30 June 2019 %	Effective economic interest held % 30 June 2018 %
Joint operations					
Canal Walk Shopping Centre	Cape Town, South Africa	Ellerine Brothers	Active	80,00	80,00
The Glen Shopping Centre	Johannesburg, South Africa	Ellerine Brothers	Active	75,16	75,16
Joint ventures – held through Hyprop Mauritius					
AttAfrica Limited[1]	Mauritius	Attacq	Active	37,50	37,50
Manda Hill Mauritius Limited[2]	Mauritius	Attacq	Active	68,75	68,75

[1] *Hyprop Mauritius has a 37,5% interest in AttAfrica. The initial investment was made on 20 November 2012. Hyprop Mauritius has 50% of the voting rights on the board of AttAfrica and, accordingly, has joint control of AttAfrica.*

[2] *Hyprop Mauritius has a 50% interest in Manda Hill Mauritius. AttAfrica holds the other 50% of the shares in Manda Hill Mauritius resulting in a group effective economic interest in Manda Hill Mauritius of 68,75%. The effective date of the investment was 1 July 2014. Hyprop Mauritius has 50% of the voting rights on the board of Manda Hill Mauritius and, accordingly, has joint control of Manda Hill Mauritius.*

E4.3 Joint operations

Financial results for the joint operations, Canal Walk and The Glen, are proportionately consolidated in the company and group statements of profit or loss and other comprehensive income and statements of financial position.

E4.3.1 Summary of audited financial information

Set out below is a summary of the audited financial information for the joint operations Canal Walk and The Glen.

	Canal Walk		The Glen	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
% interest held by Hyprop	80,00%	80,00%	75,16%	75,16%
	R000	R000	R000	R000
Revenue	776 657	724 496	252 100	223 280
Expenses	(252 853)	(227 200)	(92 412)	(65 973)
Interest received	–	1 750	–	130
Net property income	523 804	499 046	159 688	157 437
Expenses include:				
Depreciation	(313)	(238)	(74)	(92)

E4.4 Joint ventures

E4.4.1 Carrying value

	GROUP		COMPANY	
	30 June 2019 R000	30 June 2018 R000	30 June 2019 R000	30 June 2018 R000
Shares at cost				
AttAfrica	*	*	*	*
Manda Hill Mauritius	*	*	*	*
Total cost	–	–	–	–

** Amounts less than R1 000.*

Details of loans to joint ventures are set out in note F1 – *Loans receivable*.

E4.4.2 Summary of financial information

Set out below is a summary of the audited financial information for the joint ventures AttAfrica and Manda Hill Mauritius.

	AttAfrica		Manda Hill Mauritius	
	30 June 2019 100% R000	30 June 2018 100% R000	30 June 2019 100% R000	30 June 2018 100% R000
Summarised statement of financial position				
Non-current assets	2 671 499	4 911 382	1 784 301	1 902 794
Current assets	118 632	132 254	42 183	14 226
Non-current liabilities	(4 874 348)	(5 083 572)	(1 131 302)	(1 158 504)
Current liabilities	(86 022)	(721 141)	(980 900)	(829 596)
Net liabilities	(2 170 239)	(761 077)	(285 718)	(71 080)
Summarised statement of financial position includes:				
Cash and cash equivalents	48 930	54 964	4 409	7 354
Current financial liabilities	79 719	93 426	62 960	12 022
Non-current financial liabilities	4 657 998	4 380 780	1 131 302	1 158 504
Summarised statement of profit or loss and other comprehensive income				
Revenue	274 142	283 396	169 828	150 620
Loss before taxation	(1 378 981)	(175 788)	(202 006)	(27 847)
Taxation	(120 675)	62 751	(9 560)	(12 394)
Net loss	(1 499 656)	(113 037)	(211 566)	(40 241)
Other comprehensive income (currency translation reserve)	(25 836)	(23 627)	(2 377)	(1 913)
Total comprehensive loss	(1 525 492)	(136 664)	(213 943)	(42 154)
Loss before taxation includes:				
Interest income	49 714	76 189		
Interest expense	(534 582)	(476 383)	(86 048)	(90 792)
Depreciation	(7 821)	(2 489)	(7 071)	(4 358)
Comprehensive (loss)/income attributable to:	(1 525 492)	(136 664)	(213 943)	(42 154)
Equity holders of the company	(1 071 032)	(116 106)	(213 943)	(42 154)
Non-controlling interest	(454 460)	(20 558)	–	–
Hyprop's share of losses	–	–	–	–
– Share of loss from joint venture	(401 637)	(43 540)	(106 972)	(21 077)
– Limitation of loss from joint venture	401 637	43 540	106 972	21 077

For further details on loans extended to these entities refer to note F1 – *Loans receivable*.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E5 FINANCIAL ASSET

E5.1 Accounting policy

Where the group has a contractual right to receive its share of net distributable earnings of a financial asset, the financial asset is designated at fair value through profit or loss (FVTPL) and initially measured at fair value. Subsequent to initial recognition, the financial asset is measured at fair value and changes in the fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

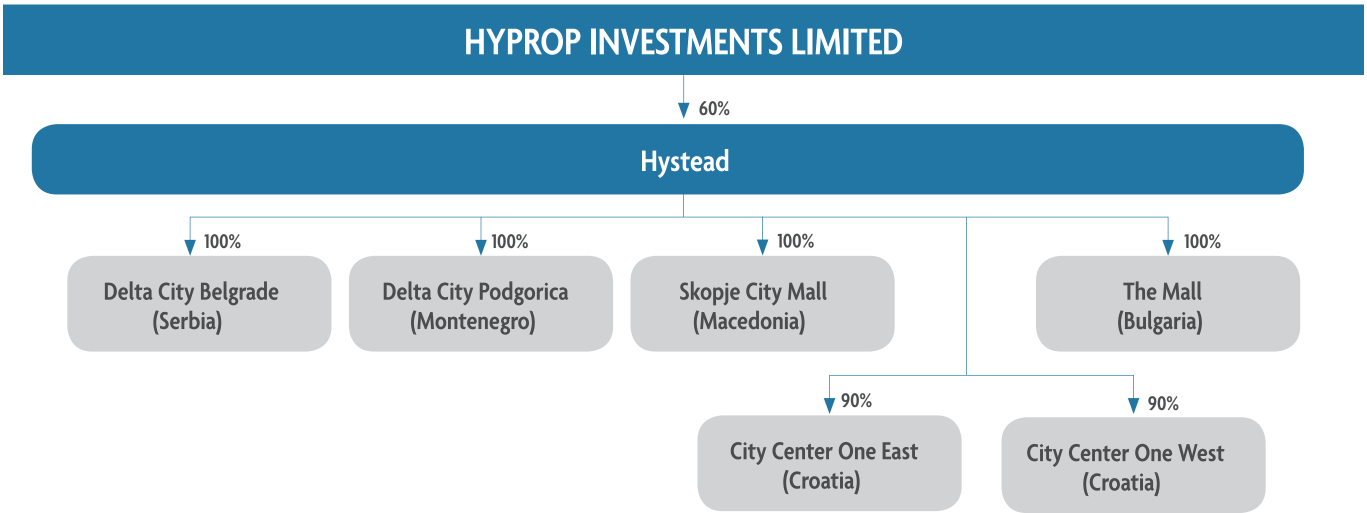
Any gain or loss on initial recognition (i.e. the difference between the fair value and the amount paid) is deferred where the valuation method used to determine the fair value includes assumptions which are derived from unobservable inputs. The deferred profit or loss is subsequently recognised in profit or loss only to the extent of a change in a factor (including time) that market participants would take into account when pricing the asset.

E5.2 Key assumptions and estimations

The key assumptions and estimates which have an effect on the group's investment in Hystead (which is classified as a financial asset) are set out below:

Control over an investee	Management assessed whether it has control over Hystead based on the suite of agreements which govern the relationship between the shareholders of Hystead and concluded that Hyprop has joint control of Hystead.
Classification as an equity-accounted investment or financial instrument	In prior years, management considered whether the investment in Hystead should be classified as a joint venture and be equity accounted, or based on the contractual right to receive dividends as a result of the provisions of the Hystead shareholders' agreement, should be classified as a financial asset. Based on the provisions of the suite of agreements which govern the relationship between the shareholders of Hystead, Hystead has a financial obligation to pay all of its distributable income as a dividend to its shareholders each year. Accordingly, Hyprop accounts for the investment in Hystead as a financial asset. Management reassessed the classification and accounting treatment of the investment in Hystead and concluded that the classification as a financial asset remains appropriate.
Valuation of financial asset and deferral of day-one gain	The fair value of the right to receive dividends from Hystead has been valued based on the present value of anticipated future cash flows. The valuation method includes assumptions derived from unobservable inputs. Management has therefore determined that the day-one gain should be deferred. However, the fair value movement subsequent to that date should be taken through profit or loss.

E5.3 Profile



E5.4 Carrying value and net movement for the year

		GROUP AND COMPANY	
	Note	30 June 2019 R000	30 June 2018 R000
Balance at the beginning of the year		152 556	–
Net change in fair value of future cash flows		65 888	152 556
– loans receivable capitalised	F1.4	40 716	30 980
– new guarantees issued	H3.3	110 401	33 815
– fair value adjustment		(85 229)	87 761
Balance at the end of the year		218 444	152 556

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E5 FINANCIAL ASSET continued

E5.5 Gross movement for the year

	GROUP AND COMPANY	
	30 June 2019 R000	30 June 2018 R000
E5.5.1 Gross asset (A)		
Balance at the beginning of the year	3 891 691	2 022 282
Additions (new properties acquired)	–	2 626 646
Unrealised foreign exchange gain	25 558	194 480
Change in credit enhancement fees	–	(402 631)
Fair value adjustment through profit or loss	587 742	(549 086)
Subtotal (fair value) at the end of the year	4 504 991	3 891 691
New guarantees issued	110 401	33 815
Fair value adjustment through profit or loss	(110 401)	(33 815)
Balance at the end of the year	4 504 991	3 891 691
E5.5.2 Deferred gains (B)		
Balance at the beginning of the year	(3 770 115)	(2 022 282)
Additions (new properties acquired)	–	(2 626 646)
Unrealised foreign exchange loss	(24 760)	(138 923)
Change in credit enhancement fees	–	393 864
Fair value adjustment through profit or loss	(491 672)	623 872
Balance at the end of the year	(4 286 547)	(3 770 115)
E5.5.3 Fair value of financial asset (A-B)	218 444	121 576
Capital injection	–	30 980
Balance at the end of the year	218 444	152 556

E5.6 Movements through profit or loss

	30 June 2019 R000	30 June 2018 R000
Movement on financial asset	613 300	1 869 409
Movement on deferred gains on financial asset	(516 432)	(1 747 833)
Net movements on financial asset before guarantees	96 868	121 576
Less: Capital investments	(71 696)	–
Less: New guarantees issued	(110 401)	(33 815)
Total fair value adjustment to financial asset	(85 229)	87 761

E5.7 Valuation methodology

The group performs an internal valuation of the financial asset based on the cash flows of the underlying investment property companies. The European investment properties are independently valued each December. A directors' valuation is carried out every June.

The following tables show the valuation techniques used in measuring the financial asset, as well as the significant unobservable inputs used:

Type	Valuation technique	Unobservable inputs	Movement in input	Effect on estimated fair value
Financial asset – Hystead	*Discounted cash flow:* The valuation is calculated as the present value of the anticipated future net cash flows expected to be generated by the underlying shopping centres after deducting the head office costs within the Hystead group. The cash flow projections include specific estimates for 10 years (2018: 10 years). The expected net cash flows are discounted using a risk adjusted discount rate as well as a risk adjusted cap rate.	• Annual growth rate • Terminal growth rate • Exit cap rate • Discount rate	Increase Decrease Increase Decrease	Increase Decrease Decrease Increase

E5.8 Valuation assumptions

The key assumptions used in determining the fair value of the investment in Hystead are in the following ranges:

	GROUP AND COMPANY	
Unobservable inputs	30 June 2019 %	30 June 2018 %
Financial asset – Hystead		
Annual growth rate	(1,1) to 2,5	(17,8) to 0,6
Weighted average annual growth rate	0,2	(0,3)
Terminal growth rate	1,8 to 2,3	0,8 to 2,0
Weighted average terminal growth rate	1,9	1,5
Discount rate	6,0 to 8,0	7,0 to 8,0
Weighted average discount rate	6,9	7,4
Exit capitalisation rates	5,0 to 7,3	5,3 to 7,3
Weighted average exit capitalisation rate	5,8	5,9

E5.9 Valuation sensitivity

The valuation of the investment in Hystead is sensitive to changes to the unobservable inputs. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of the investment in Hystead in the statement of profit or loss.

				GROUP AND COMPANY (decreases are indicated by brackets)	
Input		June 2019 % change*	June 2018 % change*	30 June 2019 R000	30 June 2018 R000
Annual growth rate	Increase	0,5	1,0	96 070	45 449
	Decrease	0,5	1,0	(96 070)	(45 449)
Terminal growth rate	Increase	0,5	1,0	9 150	2 273
	Decrease	0,5	1,0	(9 150)	(2 273)
Discount rate	Increase	0,5	1,0	(67 478)	(32 951)
	Decrease	0,5	1,0	67 478	32 951
Exit capitalisation rates	Increase	0,5	1,0	(68 621)	(40 904)
	Decrease	0,5	1,0	68 621	40 904

** The percentage change applied in each year is the possible change applicable to each input.*

E6 CAPITAL COMMITMENTS

Details of approved capital expenditure for the year ended 30 June 2020 are set out below.

	GROUP AND COMPANY	
	30 June 2019 R000	30 June 2018 R000
Approved and committed	84 945	165 912
Approved but not yet committed	365 532	176 236
Total	450 477	342 148

	30 June 2020 Total R000
Yield-based projects	241 945
Trading density improvements	121 475
Replacements	66 562
Infrastructure projects	20 495
Total capital commitments*	450 477

** Excludes the cost of solar plants under evaluation.*

All the capital commitment disclosures exclude held-for-sale properties.

The capital expenditure will be financed out of available cash resources, banking facilities and debt capital market funding.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

E. PROPERTY INVESTMENTS AND RELATED ITEMS continued

E7 NON-CURRENT ASSETS HELD-FOR-SALE

E7.1 Accounting policy

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 or losses on subsequent measurement being recognised in profit or loss in the line profit/(loss) on disposal – investment property. Disposal groups and non-current assets held-for-sale are presented separately from other assets and liabilities in the statement of financial position.

E7.2 Summary of disposal group

During the year the group reviewed its strategy, resulting in a revised three-year strategic plan. This led to a decision to exit the group's sub-Saharan African investments within the next 12 to 18 months. As a result the group's interest in Gruppo (which owns 100% of the Ikeja City Mall in Lagos, Nigeria, and in which Hyprop has a 75% interest) was designated as held-for-sale. Gruppo is reported under the sub-Saharan African operating segment.

The group's other sub-Saharan African interests comprise its investments and loans receivable from AttAfrica and Manda Hill. It is anticipated that these interests will be realised by repayment of the loans receivable from the proceeds on disposal of the underlying investment properties. The loans receivable have been classified as short term and are included in current assets.

In 2018, the disposal group consisted of Lakefield Office Park, the last remaining non-core property in the portfolio, which was sold effective 4 January 2019 for a profit of R2,8 million. Lakefield had been reported in the South African operating segment.

E7.3 Movement for the year – assets

	GROUP AND COMPANY	
	30 June 2019 R000	30 June 2018 R000
Balance at the beginning of the year	199 257	418 796
Disposals – Lakefield[1] (2018: Willowbridge North and Greenstone Park – vacant land)	(199 257)	(226 607)
Additions – Gruppo (2018: Lakefield)	2 047 847	7 068
Balance at the end of the year	2 047 847	199 257

E7.4 Movement for the year – liabilities

	30 June 2019 R000	30 June 2018 R000
Balance at the beginning of the year	(8 157)	(5 189)
Disposals – Lakefield[1] (2018: Willowbridge North and Greenstone Park – vacant land)	8 157	1 468
Additions – Gruppo (2018: Lakefield)	(1 098 300)	(4 436)
Balance at the end of the year	(1 098 300)	(8 157)
Net classified as held-for-sale	949 547	191 100

[1] *The sale of Lakefield Office Park was finalised on 4 January 2019 and the sale proceeds received.*