C. SEGMENTAL ANALYSIS *continued*

C3 SEGMENTAL ANALYSIS - FINANCIAL POSITION

	South Africa	Eastern Europe	Sub-Saharan Africa	Group
	June 2020 R'000	June 2020 R'000	June 2020 R'000	June 2020 R'000
Assets				
Non-current assets	24 657 174	532 972	-	25 190 146
Current assets	881 147	22 759	766 734	1 670 640
Assets classified as held-for-sale	-	-	2 098 918	2 098 918
Total assets	**25 538 321**	**555 731**	**2 865 652**	**28 959 704**
Liabilities				
Non-current liabilities	4 403 050	127 066	-	4 530 116
Current liabilities	1 749 285	-	2 049 629	3 798 914
Liabilities associated with assets classified as held-for-sale	-	-	1 359 216	1 359 216
Total liabilities	**6 152 335**	**127 066**	**3 408 845**	**9 688 246**
	June 2019 R'000	**June 2019 R'000**	**June 2019 R'000**	**June 2019 R'000**
Assets				
Non-current assets	28 639 145	237 291	-	28 876 436
Current assets	1 151 002	19 262	1 559 025	2 729 289
Assets classified as held-for-sale	-	-	2 047 847	2 047 847
Total assets	**29 790 147**	**256 553**	**3 606 872**	**33 653 572**
Liabilities				
Non-current liabilities	3 796 753	110 401	2 671 833	6 578 987
Current liabilities	1 461 881	-	22 600	1 484 481
Liabilities associated with assets classified as held-for-sale	-	-	1 098 300	1 098 300
Total liabilities	**5 258 634**	**110 401**	**3 792 733**	**9 161 768**

D. PROFIT OR LOSS

D1 REVENUE AND MINIMUM LEASE PAYMENTS

D1.1 Revenue

D1.1.1 Accounting policy

Revenue consists of:

a. Rental and other lease income – governed by IFRS 16: *Leases*

b. Recoveries – governed by IFRS 15: *Revenue from contracts with customers*

Rental and other lease income

Rental and other lease income represents the amounts receivable for services provided, net of value added tax, and is measured at the amount of the consideration to which the Group expects to be entitled (i.e. transaction price).

Rental and other lease income comprises contractual rental income, operating cost recoveries, income from marketing and promotions and parking income. Contractual rental income (including tenant parking income and contractual fixed operating cost recoveries) is recognised on a straight-line basis over the term of the lease. Income from marketing, promotions and parking is recognised when the service is rendered.

Contingent rentals/turnover rentals (variable rentals based on the turnover achieved by a tenant) are included in revenue when the amounts can be reliably measured.

Recoveries

Recoveries income represents the transaction price (i.e. the amount of the consideration which the entity expects to receive) for services provided net of value added tax. The Group retains primary responsibility for the provision of the services, and considers itself the principal supplier of such services in this respect.

Recoveries are recognised on an accruals basis in line with the service being provided. Accordingly the Group maintains its recording of service charge income on a gross basis.

Performance obligations related to recovery income

a.	When the entity typically satisfies its performance obligations	• Services are rendered during the month. Revenue is recognised at a point in time (the end of the month in which the service is rendered).
b.	The significant payment terms	• Payment from tenants is due on the 1st of each month.
c.	Variability of the consideration payable	• Utility recoveries are charged either at a flat rate per unit or at a variable rate per unit depending on time of use.
d.	The nature of the goods or services that the entity has undertaken / agreed to transfer	• Services rendered include the provision of utilities, cleaning, security and marketing services for a calendar month.

D1.1.2 Profile

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Rental and other lease income *(recorded in accordance with IFRS 16: Leases)*	2 261 122	2 567 150	2 078 213	2 372 402
Gross contractual rental income	2 148 074	2 123 044	1 974 859	1 958 379
Covid-19 rent relief [(2)]	(265 114)	-	(242 425)	-
Contractual rental income	1 882 960	2 123 044	1 732 434	1 958 379
Turnover rent	14 102	40 610	14 102	40 610
Operating cost recoveries [(1)]	225 318	236 973	199 788	214 862
Casual parking income	76 311	102 389	74 577	99 976
Marketing and promotions income	62 431	64 134	57 312	58 575
Straight-line rental income accrual	118 286	(87 887)	125 927	(81 399)
Lease income	**2 379 408**	**2 479 263**	**2 204 140**	**2 291 003**
Recoveries *(non-lease income recorded in accordance with IFRS 15: Revenue from contracts with customers)*	722 934	738 585	686 080	712 844
Municipal recoveries	686 585	720 434	661 595	696 444
Other recoveries	36 349	18 151	24 485	16 400
Revenue	**3 102 342**	**3 217 848**	**2 890 220**	**3 003 847**

[(1)] Operating cost recoveries comprise mainly fixed contractual amounts recovered from tenants in terms of the lease agreements. These are categorised as "lease income " in terms of IFRS 16: Leases. Comparative amounts have been reallocated accordingly.
[(2)] Rental discounts and deferrals granted to tenants due to Covid-19 lockdowns/restrictions.

D. PROFIT OR LOSS *continued*

D1. REVENUE AND MINIMUM LEASE PAYMENTS *continued*

D1.2 Minimum lease payments receivable

Minimum lease payments comprise contractual rental income and operating costs recoverable from tenants in terms of existing lease agreements.

	Group and Company	
	June 2020 R'000	June 2019 R'000
The minimum lease payments receivable from tenants have been classified into the following time periods:		
– Short-term *(up to one year)*	1 990 697	2 104 186
– Medium-term *(greater than one year and up to five years)*	4 014 611	4 163 614
– Long-term *(greater than five years)*	1 416 007	1 284 452
Total minimum lease payments receivable	**7 421 315**	**7 552 252**

Minimum lease payment disclosures exclude held-for-sale properties.

D2. PROPERTY EXPENSES AND OTHER OPERATING EXPENSES

		Note	Group June 2020 R'000	Group June 2019 R'000	Company June 2020 R'000	Company June 2019 R'000
D2.1	**Property expenses comprise:**		**1 139 721**	**1 132 002**	**1 069 565**	**1 068 708**
	Municipal expenses		708 454	722 734	694 457	707 874
	Other utilities		45 067	35 063	26 535	15 494
	Security		58 575	55 081	56 371	52 975
	Cleaning		46 962	44 421	45 402	43 025
	Marketing		41 866	44 333	40 320	42 577
	Maintenance		36 428	38 491	29 756	35 054
	Air-conditioning		18 010	17 003	16 058	15 581
	Depreciation		44 441	41 809	43 043	40 123
	Legal fees		1 601	3 544	1 332	3 049
	Salaries and staff-related expenses		70 229	73 753	64 290	69 022
	Audit fees - external	*D2.3*	2 220	1 991	1 664	1 581
	Audit fees - internal		350	789	350	789
	Insurance		7 646	8 248	6 044	6 747
	Professional fees		4 546	3 486	4 077	2 795
	Computer expenses and licences		3 695	3 117	3 689	3 112
	Net foreign exchange losses		7 316	2 974	-	-
	Other property costs		42 315	35 165	36 177	28 910
D2.2	**Net Other operating expenses**					
D2.2.1	**Other operating expenses**		**89 130**	**72 428**	**87 923**	**71 354**
	Salaries and staff-related expenses		48 728	37 519	48 728	37 519
	Share-based payment expense		11 795	10 365	11 795	10 365
	Non-executive directors' remuneration		4 747	4 319	4 747	4 319
	Audit fees - external	*D2.3*	2 326	2 937	2 020	2 708
	Audit fees - internal		511	850	511	850
	Insurance		388	306	388	306
	Professional fees		3 864	1 748	3 755	1 675
	Computer expenses and licences		1 482	1 770	1 482	1 770
	Legal fees		3 571	1 178	3 571	1 178
	Corporate social investment		768	1 925	883	-
	Depreciation		1 419	400	1 419	400
	Investor relations and related costs		2 647	2 457	2 647	2 457
	Ratings and regulatory fees		2 427	1 835	2 426	1 835
	Other		4 457	4 819	3 551	5 972
D2.2.2	**Other operating income** [1]		**(20 871)**	**(30 828)**	**(28 677)**	**(30 828)**
	Asset management fees		(18 783)	(27 715)	(18 783)	(27 715)
	Foreign exchange gains		(2 088)	(3 113)	(9 894)	(3 113)
	Net other operating expenses		**68 259**	**41 600**	**59 246**	**40 526**

[1] *Reclassification from Other operating expenses to Other operating income:*
Asset management fees earned and net foreign exchange gains have been included in Other operating income. Comparative amounts have been reallocated accordingly.

		Group June 2020 R'000	Group June 2019 R'000	Company June 2020 R'000	Company June 2019 R'000
D2.3	**Audit fees**				
	Included in expenses are the following amounts:				
	Paid to the external auditors for the attest function *(KPMG and Ernst & Young Nigeria)*	4 546	4 928	3 684	4 289
	Paid to the external auditors for other approved services *(KPMG Services)*	242	271	242	271
	Paid to KPMG Nigeria for other approved services	469	204	-	-

D. PROFIT OR LOSS *continued*

D3 OPERATING COMMITMENTS

Hyprop has entered into various service contracts for the cleaning, upkeep and general maintenance of its investment property portfolio. Operating expense commitments payable under existing service contracts to service providers in future years have been classified as follows:

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Short-term (up to one year)	10 286	1 826	10 286	1 826
Total	**10 286**	**1 826**	**10 286**	**1 826**

The operating commitments disclosures exclude held-for-sale properties. Contracts which can be terminated on one month's notice have been included for one month only.

D4 INTEREST

D4.1 Accounting policy

Interest income	Interest earned on cash invested at financial institutions is recognised on an accrual basis using the effective interest rate method. Interest earned on loans receivable is recognised on an accrual basis using the effective interest rate method, other than loans which are credit impaired (stage 3 loans) where interest is only accrued on the net balance (i.e. the outstanding balance less credit impairments).
Interest expense	Interest expense is calculated on the effective interest rate method. Borrowing costs, except those capitalised to a qualifying asset, are recognised as an expense in the period in which they are incurred.
Capitalised interest expense	Interest 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 borrowed in respect of the qualifying asset. Investment income earned on the temporary investment of borrowed funds pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Interest income	**88 997**	**156 043**	**58 751**	**77 152**
Positive bank balances	54 805	72 969	54 419	72 920
Loans receivable	34 192	83 074	4 332	4 232
Interest expense	**(637 392)**	**(617 198)**	**(412 133)**	**(313 257)**
Borrowings	(607 063)	(570 118)	(412 722)	(313 257)
Capitalised	589	-	589	-
Non-controlling shareholder loan	(30 918)	(27 675)	-	-
Fair value adjustment on non-controlling shareholder loan	-	(19 405)	-	-
Net interest	**(548 395)**	**(461 155)**	**(353 382)**	**(236 105)**

D5 DIVIDENDS RECEIVED

D5.1 Accounting policy

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the dividend has been declared.

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Dividends received from:				
Hystead	120 630	221 190	120 630	221 190
Total	**120 630**	**221 190**	**120 630**	**221 190**

D6 TAXATION

D6.1 Accounting policy

Normal and deferred taxes are recognised as income or an expense and included in profit or loss for the year.

The charge for normal taxation includes expected tax payable or receivable on the taxable income or loss for the year and any adjustment for taxation payable or receivable in respect of prior years.

Normal 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.

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, a qualifying distribution declared to Hyprop shareholders is deductible against Hyprop's taxable income. As a consequence of this deduction (which historically has exceeded the Company's taxable income) South African taxable income and income taxation is usually reduced to zero.

D. PROFIT OR LOSS *continued*

D6. TAXATION *continued*

D6.2 Key judgements and estimations

Taxation	The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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. The Group recognises liabilities for anticipated tax obligations based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. 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.

D6.3 Taxation expense

		Group		Company	
	Note	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Major components of the taxation expense					
Normal taxation		**(487)**	**427**	**-**	**-**
Current year		(487)	427	-	-
Deferred taxation		**7 637**	**(93 455)**	**7 637**	**1 730**
Current year		7 637	(93 800)	7 637	1 385
Prior year		-	345	-	345
Total taxation expense		**7 150**	**(93 028)**	**7 637**	**1 730**

D6.4 Reconciliation of taxation expense

	Note	Group June 2020 R'000	Group June 2019 R'000	Company June 2020 R'000	Company June 2019 R'000
Loss / profit before tax		(3 515 876)	18 508	(3 099 383)	322 092
Notional taxation at 28%		(984 446)	5 182	(867 827)	90 186
Adjusted for:		991 596	(98 210)	875 464	(88 456)
REIT qualifying distribution		(339 768)	(508 258)	(339 768)	(508 258)
Exempt income and non-deductible expenses	*D6.5*	1 296 109	392 834	1 215 232	390 750
Prior year tax adjustments: Deferred taxation		-	345	-	345
Imputed income from Hyprop Mauritius and Hystead		-	28 707	-	28 707
Deferred tax asset not recognised		24 023	-	-	-
Adjustment in respect of foreign tax rates		**11 232**	**(11 838)**	**-**	**-**
Total taxation expense / (credit)		**7 150**	**(93 028)**	**7 637**	**1 730**

D6.5 Exempt income and non-deductible expenses

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Exempt income and non-deductible expenses comprise the following:				
Changes in fair value:				
Investment property	1 307 157	44 473	1 197 600	44 473
Financial guarantee	4 666	-	(15 259)	-
Derivative instruments	61 936	12 908	61 161	10 526
Financial asset	(88 068)	23 864	(88 068)	23 864
Convertible loan	-	(16 300)	-	-
Derecognition of financial guarantees	-	(51 992)	-	(61 258)
Straight-line rental income accrual	(33 120)	22 792	(35 260)	22 792
Profit on disposal of assets	-	(791)	-	(791)
Non-taxable dividend received	(33 776)	(61 933)	(33 776)	(61 933)
Impairment of loan to joint venture / intercompany loan	81 193	427 642	12 493	415 909
Impairment in investment in subsidiary	-	-	111 446	4 562
Reversal of wear and tear allowances on asset sales	-	(8 510)	-	(8 510)
Other	(3 879)	681	4 895	1 116
Total income exempt from tax and non-tax deductible expenses	**1 296 109**	**392 834**	**1 215 232**	**390 750**
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)