

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa, 2008.

1.2 Basis of preparation

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties, investment property classified as held for sale and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

Fair value adjustments do not affect the determination of distributable earnings, but have an effect on net asset value per share to the extent that such adjustments are made to the carrying values of assets and liabilities.

All amendments to standards applicable to Hyprop's financial year beginning on 1 July 2014 have been considered. Based on management's assessment, the following new amendments do not have a material impact on the group's financial statements:

IFRS 2 *Share-Based Payments*

IFRS 3 *Business Combinations*

IFRS 8 *Operating Segments*

IFRS 10 *Consolidated Financial Statements*

IFRS 12 *Disclosure of Interest in Other Entities*

IFRS 13 *Fair Value Measurement*

IAS 19 *Employee Benefits*

IAS 24 *Related-Party Disclosure*

IAS 27 *Consolidated and Separate Financial Statements*

IAS 36 *Impairment of Assets*

IAS 40 *Investment Property*

Other than the amendments, all accounting policies applied in the preparation of these financial statements are consistent with those applied in the consolidated financial statements for the year ended 30 June 2014.

Various new accounting standards, or revisions to current accounting standards, have been issued with effective dates applicable to future annual financial statements. Refer to note 1.25 for further information.

1.3 Basis of consolidation

The group annual financial statements comprise the consolidated annual financial statements which incorporate the annual financial statements of the company and entities controlled by the company.

Control is achieved when the company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the group and all entities controlled by the group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal, as applicable.

All intra-group transactions, unrealised profits and balances between group entities are eliminated on consolidation.

1.4 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

1. Accounting policies and presentation of annual financial statements continued

1.4 Business combinations continued

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been recognised in the acquiree's annual financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.5 Goodwill

Goodwill is carried at cost as established at the date of acquisition less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

1.6 Investments in subsidiaries

Subsidiaries are entities over which the group has control.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

In the separate annual financial statements of the company, investments in subsidiaries are accounted for at cost and adjusted for impairment if applicable.

1.7 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity transacts with its joint operation, profits and losses resulting from the transactions with the joint operation are recognised in the group's consolidated annual financial statements only to the extent of interests in the joint operation entity that are not related to the group.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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1. Accounting policies and presentation of annual financial statements continued

1.7 Interests in joint operations continued

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

In the separate annual financial statements of the company, interests in joint operations are accounted for in the same manner.

1.8 Investments in associates and joint ventures

An associate is an entity over which the company can exercise significant influence, through participation in the financial and operating policy decisions of the investee, but where it does not have control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The results, assets and liabilities of associates and joint ventures are incorporated in the annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, the investment is initially recorded at cost and thereafter the carrying value is adjusted to recognise the investor's share of the post-acquisition profits or losses of the investee after the date of acquisition, distributions received and any adjustments that are required. The profits or losses are recognised in the statements of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

When the reporting period of the investor is different to that of the associate or joint venture, the associate or joint venture prepares for the use of the investor, annual financial statements as at the same date as the financial statements of the investor.

Where a group entity transacts with an associate or joint venture of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate or joint venture.

In the separate annual financial statements of the company, investments in associates or joint ventures are accounted for at cost and adjusted for impairments, if applicable.

1.9 Building appurtenances and tenant installations

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, less residual value, by equal instalments over their useful lives as follows:

- Tenant installations – period of lease
- Building appurtenances – three to seven years

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the group and its cost can be reliably measured. All other expenditure is recognised as an expense in the period in which it is incurred. Gains and losses on the disposal of building appurtenances and tenant installations are recognised in profit or loss and are calculated as the difference between the sale price and the carrying value of the item sold.

1. Accounting policies and presentation of annual financial statements *continued*

1.10 Investment property and development property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under development for such purposes).

Investment property is initially recognised at cost including transaction costs. Cost includes initial costs as well as costs incurred subsequently to extend or refurbish investment property.

Investment property is subsequently measured at fair value as determined on a semi-annual basis by an independent registered valuer. The valuations are done on an open-market basis and valuers use the discounted cash flow method. Gains or losses arising from changes in fair value, after deducting the straight-line lease income adjustment, 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.

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

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.

Investment property under development is recorded at fair value. If the fair value cannot be reasonably determined it is stated at cost.

Investment property under development is categorised as being under development until development work ceases and the property becomes income producing, at which time the categorisation "under development" will cease and the property will be included with other investment property.

1.11 Non-current assets held for sale

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 and losses on subsequent measurement being recognised in profit or loss.

Disposal groups and non-current assets held for sale are presented separately from other assets and liabilities on the statement of financial position. Prior periods are not reclassified.

1.12 Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes party to the contractual provisions of the instrument. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are initially measured at fair value. All transaction costs relating to financial instruments measured at fair value through profit or loss are immediately expensed.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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1. Accounting policies and presentation of annual financial statements continued

1.12 Financial instruments continued

Derecognition of financial instruments

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, when the group has an enforceable right to set off the recognised amounts, and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Subsequent measurement

Subsequent to initial recognition, these instruments are measured as follows:

Financial assets

1.12.1 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost. Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.12.2 Trade and other receivables

Trade and other receivables are carried at amortised cost less any accumulated impairments. An estimate is made of credit losses based on a review of all outstanding amounts at year-end. Doubtful debts are provided for in the year in which they are identified, with such movement taken to profit or loss for the period. Short-term receivables are measured at original invoice amount when the effect of discounting is immaterial.

1.12.3 Loans receivable

Loans receivable are carried at amortised cost using the effective interest method, less any impairment. Interest earned is recognised on an accrual basis using the effective interest method.

1.12.4 Other investments

An investment is an entity over which the company has no significant influence, through participation in the financial and operating policy decisions of the investee.

Investments are measured at cost less any impairment where the fair value cannot be measured reliably. Impairment charges are recognised in profit or loss. Any impairment losses are transferred to the non-distributable reserves in the statement of changes in equity.

Financial liabilities

1.12.5 Trade payables

Trade and other payables are measured at amortised cost. Short-term payables are measured at the original invoice amount when the effect of discounting is immaterial.

1.12.6 Other financial liabilities

Non-derivative financial liabilities, comprising long-term interest-bearing loans, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1. Accounting policies and presentation of annual financial statements continued

1.12 Financial instruments continued

1.12.6 Other financial liabilities continued

Derivative instruments

The entity uses derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. Derivative instruments have been designated by the group as instruments held for trading and are accounted for at fair value through profit and loss. Gains or losses are transferred to non-distributable reserves in the statement of changes in equity.

The group holds interest rate swap instruments. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

1.13 Impairment

Financial assets

Financial assets other than those at fair value through profit or loss are assessed at each reporting date to determine whether there is any evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. An impairment loss is recognised immediately in profit or loss.

Non-financial assets

The carrying amounts of the group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, and is recognised in profit or loss.

Goodwill is tested for impairment annually.

An impairment loss is reversed, with the exception of goodwill, if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

1.14 Stated capital

Ordinary shares are classified as equity.

External costs directly attributable to the issue of new shares are shown as a deduction from equity.

1.15 Treasury shares

Company shares held by Hyprop Investments Employee Incentive Scheme Proprietary Limited (incorporated for the benefit of employees) that have not yet vested are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost.

Statement of financial position presentation

On purchase, the cost of the shares acquired is deducted from equity. Subsequently, any gain or loss on the sale or cancellation of the company's own equity instruments is recognised directly in equity.

Statement of comprehensive income presentation

Both distributions and unrealised losses on own shares are eliminated from group profit for the year.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

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1. Accounting policies and presentation of annual financial statements continued

1.16 Dividends

Dividends to shareholders are recognised directly in equity on the date of declaration.

1.17 Foreign currency

Foreign currency transactions are translated to the respective functional currency of the group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the group's presentation currency (Rand) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at the dates of the transactions (an average rate is used).

Foreign currency translation reserve

Foreign currency differences on translation of the financial position and results of a foreign operation into the group's presentation currency are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit and loss as part of the profit or loss on disposal.

1.18 Employee benefits

Short-term benefits

The cost of short-term employee benefits is recognised during the period in which the employees render the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the group has a present legal or constructive obligation to pay as a result of the employees' services provided up to the reporting date.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the group pays contributions to a separate entity and has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due.

Long-term benefits

Incentive share scheme

The group operates a scheme that was formulated to reward employees who make a meaningful and sustainable contribution to the financial performance of Hyprop.

A liability is recognised in the statement of financial position. The liability is remeasured at each reporting period to reflect the revised fair value, adjusted for changes in assumptions, refer to note 26.

Changes in the fair value of the liability are recognised in profit or loss.

Share-based employee remuneration

The group operates equity-settled share-based conditional unit plans for its employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

1. Accounting policies and presentation of annual financial statements *continued*

1.18 Employee benefits *continued*

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest.

1.19 Revenue

Property portfolio revenue

Property portfolio revenue comprises operating lease income and operating cost recoveries from the letting of investment properties. Operating lease income is recognised on a straight-line basis over the term of the lease.

Turnover rentals are included in revenue when the amounts can be reliably measured.

Interest received

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.20 Borrowing costs

Borrowing 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 specifically borrowed in respect of the qualifying asset. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Taxation

1.21.1 Current taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowable and any adjustment for taxation payable or receivable for previous years.

Current 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.

1.21.2 Deferred taxation

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit
- Goodwill that arises on initial recognition in a business combination
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future

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.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.21 Taxation continued

1.21.1 Current taxation continued

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

1.21.3 Taxation expenses

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

Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively. The charge for current taxation is based on the results for the period as adjusted for items which are disallowed and any taxation payable in respect of previous years. Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustments to taxation payable in respect of previous years.

1.22 Segment reporting

The group determines and presents operating segments based on information that is provided internally to the chief operating decision maker (executive management committee (exco) and to the board of directors).

Segment results that are reported to exco include items directly attributable to a segment or a region, as well as those that can be allocated on a reasonable basis.

On a primary basis the operations are organised into the following business segments: super regional malls, large regional malls, value/lifestyle centres, offices and investments in sub-Saharan Africa (excluding South Africa).

1.23 Earnings and headline earnings per share

Earnings per share are calculated based on the weighted average number of shares in issue for the year and profit attributable to shareholders. Headline earnings per share are calculated in terms of the requirements set out in Circular 2/2013 issued by SAICA.

1.24 Key estimations and uncertainties

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the group's income, expenses, assets and liabilities. Judgement in these areas is based on historical experience and reasonable expectations relating to future events.

Information on the key estimations and uncertainties that have the most significant effect on amounts recognised are set out below:

Investment property

The valuation of investment properties requires judgement in the determination of future cash flows, appropriate discount rates and capitalisation rates.

For more information, refer to note 2.

Building appurtenances

The determination of the useful life and residual values is subject to management estimates. Management reviews the depreciation rates and residual values on an annual basis to take account of any changes in circumstances.

For more information, refer to note 3.

Fair value of financial instruments

The fair value of a financial instrument on initial recognition assumes that the asset or liability is exchanged in an orderly transaction between market participants to purchase and sell the asset or transfer the liability at the measurement date under current market conditions.

1. Accounting policies and presentation of annual financial statements continued

1.24 Key estimations and uncertainties continued

Fair value of financial instruments continued

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets. When quoted prices are not available, fair values are determined using valuation techniques that refer as far as possible to observable market inputs, either directly or indirectly.

The impact of discounting is not material for short-term loans, trade debtors and creditors.

For more information, refer to notes 10, 11, 19 and 21.

Interests in co-ownerships

Judgement is required to identify the relevant activities of the co-ownerships. Interests in co-ownerships are seen as interests in joint operations. There is a sharing of control of the co-ownership and decisions regarding major capital expenditure projects require unanimous consent by the parties sharing control.

In terms of the co-ownership agreements for Canal Walk, The Glen and Stoneridge (prior to its disposal), material capital expenditure requires mutual consent of the co-owners. In view of the significant increases in development costs, most capital expenditure that is undertaken is material and accordingly these centres are not considered to be solely controlled by Hyprop. The interests in these centres are therefore treated as joint operations.

Impairment of assets

The group tests whether assets have suffered any impairments in accordance with the impairment accounting policy. Recoverable amounts of cash-generating units have been determined based on estimated future cash flows discounted to their present values using the appropriate rates. Estimates are based on management forecasts.

Trade receivables

Management identifies impairments of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when collectability is considered doubtful.

For more information, refer to note 11.

Deferred taxation

Deferred taxation assets are raised to the extent that it is probable that future taxable profit will be available against which the unused taxation credits can be utilised. Assessment of future taxable income is performed in the form of estimated future cash flows using a suitable growth rate.

For more information, refer to note 20.

Phantom scheme liability

The liability is calculated based on the year-end market value of the Hyprop share (2014: combined unit). The actual payment is based on a 30-day volume weighted average price to 30 March.

Equity-settled share-based employee remuneration

Judgement is required in the determination of the fair value on grant date of equity-settled share-based employee remuneration. Management utilises the Black Scholes model in determining the fair value at grant date.

Amortisation of debenture premium

The risk adjustment applied to the discount rate used in the amortisation of debenture premium requires a measure of judgement.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 1.4). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables including the acquiree's future profitability, refer to note 34.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.25 New standards and interpretations continued

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the group.

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's annual financial statements or those for which the impact has not yet been assessed, is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's annual financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 provide guidance on the accounting treatment when an entity reclassifies an asset or disposal group from being held for sale to being held for distribution and provides guidance on when to cease held-for-distribution accounting.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying certain disclosure requirements in this standard. The amendments also clarify that the additional disclosure required by recent amendments to IFRS 7 is not specifically required for all interim periods.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities. The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. The most significant effect regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability, designated as at fair value through profit or loss, attributable to changes in the credit risk of that liability.

The requirements in IAS 39 related to the derecognition of financial assets and financial liabilities have been incorporated into the new version of IFRS 9.

1. Accounting policies and presentation of annual financial statements continued

1.25 New standards and interpretations continued

IFRS 9 Financial Instruments continued

A new chapter has been added to IFRS 9 on hedge accounting, substantially overhauling previous accounting requirements. The new requirements look to align hedge accounting more closely with entities' risk management activities by:

- Increasing the eligibility of both hedged items and hedging instruments
- Introducing a more principles-based approach to assessing hedge effectiveness

The effective date of the standard is for years beginning on or after 1 January 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements and the standard will be applied retrospectively, subject to transitional provisions.

The impact of this standard has not yet been estimated.

IFRS 10 Consolidated Financial Statements

The amendments to IFRS 10 are to address the inconsistencies between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* with regard to the sale or contribution of a subsidiary.

The amendments:

- Confirm that the IFRS 10.4(a) consolidation exemption is also available to parent entities which are subsidiaries of investment entities where the investment entity measures its investments at fair value in terms of IFRS 10.31
- Modify IFRS 10.32 to state that the consolidation requirement only applies to subsidiaries which are not themselves investment entities and whose main purpose is to provide services which relate to the investment entity's investment activities
- Provide relief to non-investment entity investors in associates or joint ventures that are investment entities by allowing the non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by the investment entity associates or joint ventures to their interests in subsidiaries

The effective date of these amendments is for years beginning on or after 1 January 2016.

The group expects to adopt these amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The group expects to adopt the amendment for the first time in the 2017 annual financial statements and the amendment will be applied retrospectively, subject to transitional provisions.

The impact of this amendment has not yet been estimated.

IFRS 15 Revenue from Contracts with Customers

The amendments to IFRS 15 set out new guidance on recognition of revenue that requires recognition in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The effective date of this standard is for years beginning on or after 1 January 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements and the standard will be applied retrospectively, subject to transitional provisions.

The impact of this standard has not yet been estimated.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

FINANCIAL STATEMENTS

1. Accounting policies and presentation of annual financial statements continued

1.25 New standards and interpretations continued

IAS 1 *Presentation of Financial Statements*

The amendments are designed to encourage entities to apply professional judgement in determining what information to disclose in the financial statements. The amendments clarify that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. It also clarifies that entities should use professional judgement in determining where and in what order information is presented in the financial statements.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IAS 19 *Employee Benefits*

The amendments are to the requirements in IAS 19 for contributions from employees or third parties that are linked to service.

The effective date of the amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The amendments will have no impact on the annual financial statements.

IAS 27 *Consolidated and Separate Financial Statements*

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

IAS 28 *Investments in Associates*

The amendments to IAS 28 address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in IAS 28 *Investments in Associates* dealing with the sale or contribution of a subsidiary. The amendments also clarify when to account for assets that are sold or contributed, that constitute a business, as a single transaction.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of these amendments has not yet been estimated.

1. Accounting policies and presentation of annual financial statements *continued*

1.25 New standards and interpretations *continued*

IAS 34 *Interim Financial Reporting*

The amendments to IAS 34 clarify the meaning of disclosure of information elsewhere in the interim financial report and require the inclusion of a cross-reference in the interim financial statements to the location of the information. The amendments specify that the information must be available to users of the interim financial statements on the same terms and at the same time as the interim financial statements.

The effective date of these amendments is for years beginning on or after 1 July 2016.

The group expects to adopt the amendments for the first time in the 2017 interim financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The impact of the amendments has not yet been estimated.

IAS 38 *Intangible Assets*

The amendments present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate except in two limited circumstances. It also provides guidance on the application of the diminishing balance method for intangible assets.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The group expects to adopt the amendments for the first time in the 2017 annual financial statements and the amendments will be applied retrospectively, subject to transitional provisions.

The amendment will have no impact on the annual financial statements.