35. Capital management

Hyprop's capital consists of equity and long-term debt in the form of bank debt and debt capital market funding. The company's capital management objective is to maintain a strong capital base to provide sustainable returns to shareholders over the long term. The company's borrowings are limited by its Memorandum of Incorporation and the JSE Listings Requirements to 60% (2016: 60%) of the directors' bona fide valuation of the consolidated property portfolio.

Hyprop's (theoretical) unutilised borrowing capacity can be summarised as follows[1]:

	June 2017 R000	June 2016 R000
Value of property portfolio[1][2]	33 249 951	33 368 587
60% thereof	19 949 971	20 021 152
Total gross borrowings (long term and short term)[3]	8 900 638	9 926 088
Unutilised borrowing capacity[4]	11 049 332	10 095 064

[1] *Excludes investments in South-Eastern Europe*
[2] *Refer to* Segmental analysis
[3] *Excludes Euro debt*
[4] *In practice the board would not be comfortable to allow gearing levels to increase to 60% or even close to 60% (in the absence of a specific transaction). The long-term preferred gearing level is approximately 35%*

At year-end, long-term borrowings may become payable in accordance with the terms of the loan arrangements. The company's policy is to refinance the capital portion of the borrowings (in line with its capital objective above), while servicing interest.

The group is subject to various capital covenants imposed by lenders, which are managed as part of the overall funding and capital management process. The company has complied with all capital covenants specified in the debt agreements.

36. Events after the reporting date

Acquisition of The Mall, Sofia Bulgaria

In July 2017 it was announced that Hystead, through its subsidiary Balkan Retail, had reached agreement to acquire The Mall shopping centre in Sofia, Bulgaria, for EUR155 million. Approval for the transaction from the Bulgarian competition authority is still pending. It is anticipated that the transaction will be effective from October 2017. The transaction will be funded by external debt funding, supported by a guarantee from Hyprop.