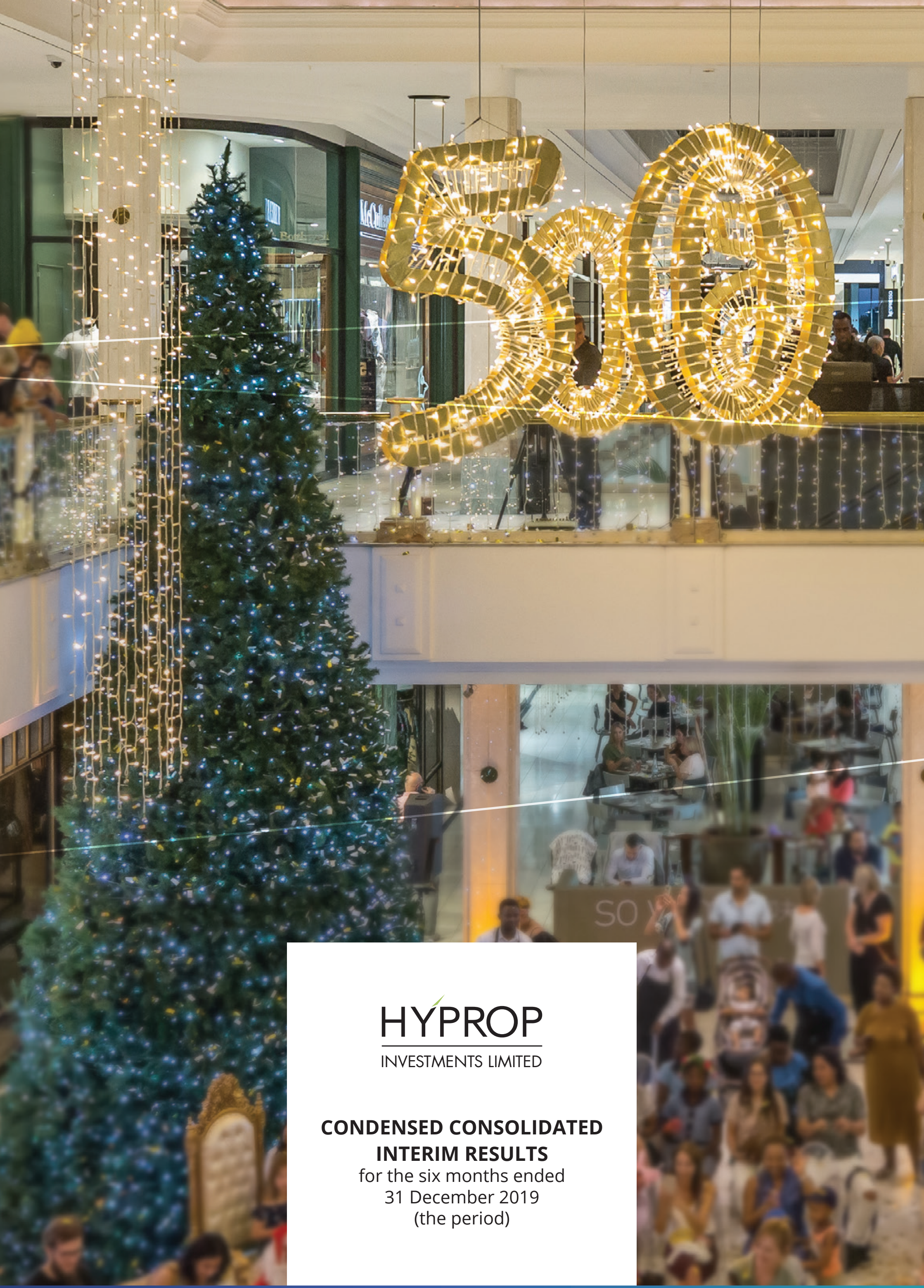

HYPROP
INVESTMENTS LIMITED

CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended
31 December 2019
(the period)

HEADLINES

Progress made towards achieving strategic priorities set **in 2019**

- **Trading density of South African portfolio increased** by 0.6% for the period, and 1.4% for the last twelve months.

- **Edcon exposure reduced** and new Checkers Fresh-X stores introduced.

- **The redeveloped Hyper-space at The Mall in Sofia, Bulgaria successfully opened**, improving the mall's dominance and introducing significant new tenants.

- **Strengthening the balance sheet** by repaying R1.3 billion of borrowings, and reducing the dividend pay-out ratio.

- **Hyde Park Corner** celebrates its **50th birthday** with seven original tenants still trading in the centre.

Distributable income per share in line with guidance for the year ending 30 June 2020.

Atterbury Value Mart trading density up

9.6%

US$ debt reduced by

$73m

Vacancies of

1.6%

in South Africa and

0.2%

in Eastern Europe

Acquisition

by Hystead of the remaining 10% interest in City Center One East and City Center One West in Zagreb, Croatia, which are now wholly owned by Hystead

INTRODUCTION

Hyprop's vision is to become the leading South African based REIT by creating environments and opportunities for people to connect and have authentic and meaningful experiences. We will achieve this by owning and managing mixed use precincts underpinned by dominant retail centres in key economic nodes in South Africa and Eastern Europe.

Despite the challenges the Group is facing, it is pleasing to report that progress is being made towards achieving the strategic objectives and priorities set in 2019:

- Repositioning the South African (SA) portfolio;
- Increasing the dominance of the Eastern European (EE) portfolio;
- Disposing of the remainder of the Sub-Saharan Africa (excluding South Africa) (S-SA) portfolio;
- Finalising and implementing the strategy for non-tangible assets as a new focus area;
- Reducing the LTV ratio with a view to restoring Hyprop's investment grade credit rating; and
- Improving stakeholder communication.

Trading conditions in the South African market continued to deteriorate as a result of the poor economic climate, increased levels of load shedding and a sustained general decline in business confidence. These factors weighed heavily on consumers and our tenants. Whilst the Group's South African shopping centres are not immune to the South African economy, they have once again demonstrated their resilience in difficult times.

By contrast, trading conditions in Eastern Europe remain attractive, with most markets experiencing political stability and continued economic growth. There is strong demand for space in our malls and opportunities exist to capitalise on their dominant market positions.

The West African economies of Ghana and Nigeria, where the Group operates, continue to show positive economic growth. Trading conditions for our malls and tenants in these countries have however been challenging, partly due to the devaluation of the local currencies against the US Dollar. We have taken various steps to preserve and enhance the value of these investments, while continuing the disposal processes.

FINANCIAL RESULTS

Distributable Income and Dividend

In line with the guidance that distributable income per share is expected to decrease by approximately 10% to 13% for the 2020 financial year, distributable income for the period decreased by 13% compared to the six-month period ended 31 December 2018 (the prior period), from R985 million to R857 million. Distributable income per share decreased similarly from 385.6 cents to 335.6 cents.

	6 months ended 31 December 2019 R'000	6 months ended 31 December 2018 R'000	12 months ended 30 June 2019 R'000
Net income before fair value adjustments	**815 606**	**1 016 353**	**1 797 771**
Adjustments to calculate distributable income	**41 293**	**(31 113)**	**104 897**
Straightline rental income accrual	61 636	19 399	87 887
Non-controlling interest	6 161	14 544	30 959
Taxation paid	-	(1 916)	(427)
Net interest adjustments	(3 403)	(62 352)	134
Other fair value adjustments - Edcon	(23 603)	-	(12 705)
Capital items for distribution purposes	502	(788)	(951)
Distributable income	**856 899**	**985 240**	**1 902 668**
% change	***(13.0%)***		
Weighted average number of shares for calculating distributable income per share	**255 345 725**	**255 540 828**	**255 429 272**
Distributable income per share	**335.6**	**385.6**	**744.9**
% change	***(13.0%)***		
Pay-out ratio	**92%**	**100%**	**100%**
Dividend per share	**308.7**	**385.6**	**744.9**

In December 2019 the board resolved to reduce the dividend pay-out ratio to 92% in order to fund the Group's capital expenditure partly out of operating profit and thereby strengthen the balance sheet. Accordingly, the board has resolved to declare a dividend of 308.7 cents per share for the period. Shareholders will be offered the opportunity to reinvest their dividends in further shares in the Company through a renounceable dividend reinvestment option (DRIP), subject to all regulatory approvals and market conditions, as set out in the dividend declaration section below.

The weighted average number of shares in issue reduced marginally from 30 June 2019 as a result of shares acquired by the Group to hedge its exposure under the staff share incentive scheme.

HYPROP PROFILE

Hyprop is a retail-focused REIT listed on the JSE. The Company currently has interests in a R48 billion portfolio of shopping centres in South Africa, Eastern Europe and Sub-Saharan Africa.

SOUTH AFRICAN PORTFOLIO

The portfolio in South Africa includes super-regional centre Canal Walk, large regional centres Clearwater, The Glen, Woodlands, CapeGate, Somerset and Rosebank Malls, regional centre Hyde Park Corner and value centre, Atterbury Value Mart. In addition to the office blocks attached to Canal Walk, Rosebank Mall and Hyde Park Corner, the Group owns stand-alone offices Cradock Heights and 17 Baker Street in Rosebank, Johannesburg. The Baker Street property was acquired during the period due to its strategic location adjacent to the Rosebank Mall, in line with our strategy to invest in mixed-use precincts underpinned by dominant retail centres in key economic nodes.

The tactical repositioning of our South African portfolio is one of the Company's key priorities with a focus on creating environments and opportunities for people to connect and have authentic and meaningful experiences in our malls.

The customer is at the heart of Hyprop's retail experience. Through market research projects we are gathering the latest information and insights on people who frequent our properties, and how they use them. This research will form the basis for data-driven decisions to assist Hyprop in repositioning its malls with a view to providing a world class service and experience for our tenants and customers.

Creating a signature experience from the moment a shopper arrives, throughout their visit, and to the time they leave – a uniquely Hyprop experience – is one of the ambitious goals that we have set ourselves. We believe this will make Hyprop's malls the first-choice for shopping, dining, leisure and entertainment experiences. Upgrading facilities and infrastructure is critical and capital has been earmarked to enhance bathrooms, food courts, and tenant "chill" areas, among other projects. Different uses for the malls, including co-working spaces and medical services, are also being explored.

The Company's in-house technology capabilities have been supplemented by new appointees, and the marketing team has added dedicated digital and design divisions as we embrace the digital transformation required to operate at the cutting edge of the property and retail sectors.

Financial Performance

	6 months ended 31 December 2019 R'000	6 months ended 31 December 2018 R'000	12 months ended 30 June 2019 R'000
Revenue	1 483 450	1 529 965	3 003 847
Expenses	(570 888)	(550 999)	(1 092 420)
Net property income	**912 562**	**978 966**	**1 911 427**
Other operating income	13 249	12 715	27 715
Other operating expenses	(50 518)	(37 315)	(72 684)
Net interest	(175 185)	(121 293)	(239 190)
Net operating income before fair value adjustments	**700 108**	**833 073**	**1 627 268**
Adjustments to calculate distributable income	35 499	11 609	67 743
Distributable income	**735 607**	**844 682**	**1 695 011**

Distributable income from the South African portfolio decreased by 12.9% from the prior period.

The main reasons for this decrease are:

- the impact of the Edcon rent reduction (R24 million / 2.8%);
- the negative rent reversions in the SA portfolio which resulted in rental income (before the lease straightline adjustment) decreasing by 0.1% (R1.4 million) from the prior period; and
- the effect of refinancing US Dollar denominated debt with Rand denominated debt in June 2019 (R70 million / 8%).

Trading density across the retail portfolio increased by 0.6% from the prior period, which is encouraging in light of the new initiatives and supports the capital expenditure aimed at improving the relevance of our malls. Atterbury Value Mart was the best performing mall, achieving an 11.7% increase in turnover, a 9.6% increase in trading density and a rent ratio of 7.9%. The rent to turnover ratio (including rent, operating costs and service charges) for the portfolio marginally increased from 9.1% in the prior period to 9.2%.

Property expenses were well controlled and increased by 3.6% over the prior period, as municipal and other utility cost increases returned to more acceptable levels. The gross cost to income ratio increased from 35.7% to 37.0%, as a function of the relatively low growth in revenue.

Cost to Income Ratio

	6 months ended 31 December 2019 %	6 months ended 31 December 2018 %	Annual cost increase %	12 months ended 30 June 2019 %
Net basis	**18.9**	17.6		**17.1**
Gross basis	**37.0**	35.7		**35.4**
Gross cost-to-income ratio	**37.0**	35.7		**35.4**
Municipal costs	**24.8**	23.9	3.8	**23.3**
Bad debts & depreciation	**1.5**	2.0	(25.7)	**2.0**
Contractor service level agreements	**4.2**	3.9	6.0	**3.9**
Maintenance & management costs	**6.5**	5.9	11.6	**6.2**

In order to improve clarity of reporting on other operating costs, the management fees received from Hystead, which were set off against overhead costs in prior years, have been shown separately under Other operating income. Other operating expenses increased due to an increase in short-term incentive provisions in the period aligning them with the financial rather than calendar year going forward, and capacity building to enable us to drive efficiency in the property portfolios.

Tenant arrears

Rental debtors at 31 December 2019 were R36 million, up from R32 million at 30 June 2019, reflecting an anticipated seasonal increase. Provisions for expected credit losses on trade receivables have been maintained at conservative levels given the difficult economic environment.

Lettings and vacancies

The Group welcomes the recent Competition Commission ruling on exclusivity clauses in leases. This development will improve competition in the retail sector, to the benefit of all participants.

Retail rent reversions for the period were negative 12.9% on average, on a total of 99 997m² of GLA. This equates to 15.1% of GLA, and when aggregated with the 253 867m² (35.9% of GLA) renewed during the 2018 and 2019 financial years, 50% of the total portfolio has now been re-let/renewed in the current cycle of negative reversions. Increasing trading densities, one of management's KPIs for 2020, is a key counter to rent reversions. Whilst every effort is made to reduce the negative effects of these reversions, they are a reality in the current economic environment; choices need to be made between lower rentals and lower vacancy rates, or higher rentals and higher vacancy rates. Where appropriate, we have chosen to support tenants who play a role in maintaining the relevance of our malls in the communities they serve. Notwithstanding the high level of rent reversions, annual rental escalations were maintained at 7.2% and the tenant retention ratio was 94%.

Retail vacancies increased from 0.8% at 30 June 2019 to 1.6% at 31 December 2019. This is mainly as a result of 3 200m² of space vacated by Planet Fitness at Rosebank Mall. Office vacancies increased to 11.2% from 10.7% at 30 June 2019.

A new Checkers Fresh-X store opened at the Glen in October 2019. Trading results for the store have exceeded expectations and have contributed to a 2.7% increase in trading density and 2.1% increase in foot count at the mall, year on year. An agreement has also been concluded with Checkers to open a Fresh-X store at the Rosebank Mall in a portion of the space vacated by Edcon. Discussions are underway for new Checkers Fresh-X stores at certain of the Group's other centres.

Leasing activity across the portfolio was high as tenants seek to right-size stores in the current economic climate. Rosebank Mall secured new leases with PnA, Crazy Plastics and HP Computers. The Ster Kinekor – Cinema Nouveau cinemas were fully upgraded and the lease renewed for five years. Ster Kinekor also renewed their lease at Clearwater Mall for five years. Canal Walk secured/renewed leases for flagship stores with iStore, Cotton On and Cape Union Mart, as well as the first Lego store in the Western Cape. “Clicks to bricks” retailer Vannie Kaap opened an outlet in Canal Walk, as did Yuppie Chef at Somerset Mall, these being the first online retailers to become Hyprop tenants, a trend which is expected to continue. CapeGate’s food offering was supplemented by new Kauai and Vida E stores and leases were renewed with several major retail tenants. We have also secured the first Starbucks store in the Western Cape which will start trading at Canal Walk on 1 June 2020.

Many of the new lettings have helped mitigate the Group’s exposure to the Edcon Group, which has decreased from 66 781 m² in December 2018 to 54 569m² in February 2020.

	Rentable area (m²) Total		Vacant (m²)		Vacancy as % of total rentable area	
	31 Dec 2019	**30 June 2019**	**31 Dec 2019**	**30 June 2019**	**31 Dec 2019**	**30 June 2019**
Retail	663 090	662 946	10 613	5 103	1.6%	0.8%
Office	45 918	43 468	4 853	4 638	11.2%	10.7%
Total	**709 008**	**706 414**	**15 466**	**9 741**	**2.2%**	**1.4%**

Valuations

The market value of the South African portfolio, as determined by the Group’s independent valuers, decreased by R1.1 billion from R28.6 billion at 30 June 2019 to R27.6 billion at 31 December 2019. The decrease reflects, inter alia, the impact of rent reversions on net property income and an increase in the discount rates and exit cap rates (R1 billion) used by the independent property valuers to value certain of the properties. The increased discount and exit cap rates align the implied yields on the affected properties with current market conditions. Details of the cap rates and other valuation assumptions used by the independent valuers are included in the table below.

	Rentable area (m²)	31 Dec 2019 R'000	30 June 2019 R'000	31 Dec 2019 (R/m²)	Variance % change
Shopping centres	**653 448**	**25 972 678**	27 089 718	**43 717**	**(4.1%)**
Value centres	**48 642**	**1 461 000**	1 411 000	**29 008**	**3.5%**
Total retail	**702 090**	**27 433 678**	28 500 718	42 698	**(3.7%)**
Total Stand-alone offices	**6 918**	**183 664**	136 000	26 548	**35.0%**
Investment property - independent valuations	**709 008**	**27 617 342**	28 636 718	**42 732**	**(3.6%)**
Building appurtenances		**(159 579)**	(162 288)		
Centre management assets		**1 761**	1 808		
Investment property - Statement of financial position		**27 459 524**	**28 476 238**		
Exit cap rate range		**6.5% - 8.8%**	6.5% - 8.8%		
Weighted average exit cap rate		**7.3%**	6.8%		
Implied effective forward yield		**7.4%**	7.2%		

Capital expenditure

Total capital expenditure for the period was R80 million. Certain budgeted capital projects have been delayed and others cancelled due to changing priorities and returns. The revised capital expenditure budget for the year ending 30 June 2020 is R411 million. This amount includes R50 million which will be spent on solar projects for the Group's Gauteng malls which are anticipated to provide approximately 11% of the electricity used by the malls and offer an IRR of 21% over 25 years. The feasibility of similar solar projects for the Cape malls is being evaluated.

A water sustainability initiative was piloted at Clearwater Mall during December 2019 using the Propelair toilet which has a powerful air flush system with limited water usage (less than 20% of a normal toilet). Based on the success of this pilot project these toilets will be introduced across the portfolio.

A Group wide project to upgrade all Wi-Fi infrastructure has commenced. This is critical for us to interact with shoppers and will provide a platform for the digital marketing initiatives being developed. Concurrently, all operating systems and technologies are being reviewed against industry benchmarks and operational requirements. The results of these reviews will form the basis of a new technology strategy to automate and digitalise internal operating procedures and reporting.

Non-tangible assets

Progress has been made in developing a technology-based retail concept that will allow tenants to source and rent space on a flexible basis (in terms of location, size and duration). The next phase will include a detailed feasibility study, software development, and pilot project at one of our South African malls.

Acquisitions and Disposals

In December 2019 the Company purchased the office building located at 17 Baker Street, Rosebank, Johannesburg for R44 million (8% initial yield). The office block was the last property required for Hyprop to control the corner between Bath and Baker streets, which is adjacent to the Rosebank Mall and is ideally situated for a mixed-use development. This acquisition is in line with the Group's strategy of owning and managing mixed-use precincts underpinned by dominant retail centres.

No assets were disposed of during the period.

INVESTMENTS IN EASTERN EUROPE

Hyprop's EE investments, held via a 60% interest in UK-based Hystead Limited (Hystead), include interests in Delta City in Belgrade, Serbia; Delta City in Podgorica, Montenegro; Skopje City Mall in Skopje, Macedonia; The Mall in Sofia, Bulgaria, and City Center One East and City Center One West, both in Zagreb, Croatia. Hystead acquired the remaining 10% interest held by the previous minority shareholder in the Croatian assets in December 2019.

The current arrangement with PDI Investment Holdings Limited (PDI), the 40% shareholder in Hystead, in terms of which Hyprop provides guarantees to Hystead in excess of its 60% interest in Hystead, ends in May 2021, subject to a liquidity event. Consideration is being given to options for restructuring the Hystead shareholders' agreement.

The key strategic priority for the EE portfolio is to increase the dominance of the malls through asset management initiatives, upgrading facilities, securing new tenants, right-sizing existing tenants and extending the malls where possible. Good progress has been made on all of these initiatives.

Financial performance

In line with the Hystead shareholders' agreement, Hyprop accounts for the investment in Hystead as a financial asset.

	Rands			Euros		
	6 months ended 31 Dec 2019 R'000	6 months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	6 months ended 31 Dec 2019 €'000	6 months ended 31 Dec 2018 €'000	Year ended 30 June 2019 €'000
Dividend income	**115 348**	111 434	221 190	**7 020**	6 540	13 080
Guarantee fees	**21 142**	20 425	40 542	**1 287**	1 199	2 397
Foreign exchange gains	**163**	4 294	4 284	**-**	-	-
Distributable income	**136 653**	136 153	266 016	**8 307**	**7 739**	**15 477**
Average exchange rate realised	**16.43**	**17.04**	**16.91**			

Distributable income from Hystead, comprising dividends from Hystead and guarantee fees from PDI, increased by 7.3% from €7.7 million to €8.3 million (R132 million to R136 million at an average realised exchange rate of R16.43/€ (2018: R17.04/€)). R109 million of these dividends and guarantee fees relate to amounts included in trade and other receivables at 31 December 2019. R71 million has been received in cash in January 2020, with the balance expected to be received before payment of Hyprop's dividend in April 2020.

Trading performance of the portfolio remains in line with expectations. Trading density increased by an average of 2.9% for the 12 months ended 31 December 2019.

The financial asset which represents Hyprop's investment in Hystead increased from R218 million at 30 June 2019 to R370 million at 31 December 2019, as a result of the acquisition by Hystead of the additional 10% interest in the Croatian assets.

Investment property	**31 December 2019 '000**	**30 June 2019 '000**
Investment property - independent value (100%)	€ 804 000	€ 795 732
Hyprop attributable share[1]	€ 482 400	€ 458 539
Hyprop attributable share[1]	R7 594 761	R7 386 292
Rentable area m^2	241 583	241 326
Value per m^2	€ 3 328	€ 3 297
Exit cap rate range	7.0% - 9.3%	7.0% - 9.3%
Weighted average exit cap rate	7.6%	7.6%
Implied effective forward yield	7.8%	8.0%

[1] *Based on Hyprop's 60% effective interest in Hystead. (June 2019: Based on Hyprop's 60% effective interest in Hystead, other than Hystead's Croatian assets in which Hyprop had a 54% effective interest due to the 10% minority shareholder in Croatia).*

At 31 December 2019 Hystead's investment property portfolio was independently valued at €804 million, at a weighted average capitalisation rate of 7.6%. This is equivalent to an implied forward yield of 7.8%. Hyprop's attributable share of the Hystead portfolio was R7.6 billion (€482 million).

Lettings and Vacancies

Demand for space in Hystead's malls remains strong. New lettings were secured on 13 428 m^2 of GLA at an average rental increase of 13.3% and leases over 23 066 m^2 were renewed at an average rental increase of 0.9%, providing a weighted average overall rental increase of 4.9%. Contractual escalations were 1.6%. The vacancy rate at 31 December 2019 was 0.2%.

The Mall in Sofia successfully re-opened the space previously occupied by a hypermarket and introduced Billa, Sinsay, Pepco and Jysk as new tenants. The leases with Inditex and P&C were also extended for a further five years. Happy (a family orientated restaurant similar to Spur in South Africa) will open following completion of the food court refurbishment in 2020.

Skopje City Mall (SCM) secured Guess, Hugo Boss, Tommy Hilfiger and Ted Baker as tenants that will open in the first half of 2020, and introduced LPP's Reserved brand as a new entrant to the mall. A two-year refurbishment project was approved for SCM at a cost of €6.2 million. The project includes the acquisition of an adjacent portion of land on which an outside play area will be created. The food court and bathrooms will also be upgraded, various tenants right-sized and new brands introduced, all of which should enhance SCM's dominance.

Delta City Podgorica's parking deck was upgraded and new five-year leases were secured with Cineplexx at both Delta City Belgrade and Delta City Podgorica.

INVESTMENTS IN SUB-SAHARAN AFRICA (EXCLUDING SA)

At 31 December 2019 the S-SA portfolio included interests in Accra Mall and West Hills Mall in Accra, Ghana; Kumasi City Mall in Kumasi, Ghana (all held via the Group's 37.5% interest in AttAfrica) and a 75% interest in Ikeja City Mall in Lagos, Nigeria.

The Group's interest in Manda Hill was disposed during the period and the proceeds used to settle USD denominated debt.

Hyprop remains committed to disposing of its S-SA interests on a reasonable basis. Action has been taken to preserve and enhance the value of the properties until the disposals can be concluded. The S-SA interests continue to be classified as "Held-for-sale" on the statement of financial position. Net proceeds from disposals will be applied to reduce the Group's USD-denominated debt.

The asset management function for AttAfrica was internalised in the previous financial year and a new asset manager appointed by AttAfrica during the period. In addition, a dedicated Africa Exco team was established and key operational changes were made to the management of the Ghanaian portfolio. There is strong focus on growing revenue streams, recovering outstanding debts and controlling costs, all of which should stabilise the performance of the malls.

The in-country debt at Kumasi City Mall and West Hills Mall has been restructured. Various initiatives to restructure the debt within AttAfrica and Ikeja continue to be investigated, with a view to lowering the cost of borrowings.

In-principle agreement has been reached for Attacq Limited and Hyprop to acquire the other AttAfrica shareholders' interests in AttAfrica, and to restructure and simplify the shareholding structure.

Financial performance	**6 months ended 31 December 2019 R'000**	**6 months ended 31 December 2018 R'000**	**12 months ended 30 June 2019 R'000**
Revenue	110 648	101 708	214 000
Expenses	(44 722)	(36 670)	(86 634)
Net property income	**65 926**	**65 038**	**127 366**
Other operating expenses	(254)	(341)	(914)
Net interest paid	(86 827)	(17 570)	(221 965)
Interest received	28 553	134 019	81 976
Interest paid	(115 380)	(151 589)	(303 941)
Net operating income before fair value adjustments	**(21 155)**	**47 127**	**(95 513)**
Adjustments to calculate distributable income	5 794	(42 722)	37 154
Distributable income	**(15 361)**	**4 405**	**(58 359)**

Net property income from Ikeja was in line with expectations and was underpinned by strong cash generation despite the challenging environment. This ensured that Hyprop's share of Ikeja's net income was received in cash by Hyprop Mauritius.

Interest income decreased from December 2018 to December 2019 as interest income from AttAfrica is only being recognised on the net unimpaired loan balance and to the extent that it is received in cash (R24 million in the period). From 1 January 2020 Hyprop no longer has a preferential right to income from AttAfrica, which will have a negative impact on interest income going forward, and has been taken into account in the guidance below.

The Group's investment in AttAfrica has been impaired by a further R169 million following a decrease in the independent valuation of Accra Mall, and a provision for tax recoupments.

EXCHANGE RATES

The functional and reporting currencies for the investments in S-SA and EE are the US Dollar and Euro, respectively. The exchange rates used to convert foreign currency amounts to Rands were as follows:

	31 December 2019		31 December 2018		30 June 2019	
	Average rate R	Period-end spot rate R	Average rate R	Period-end spot rate R	Average rate R	Year-end spot rate R
US Dollar	14.58	14.04	14.18	14.38	14.13	14.15
Euro	16.31	15.74	16.32	16.48	16.04	16.11
Realised average exchange rate - USD	-	-	-	-	-	-
Realised average exchange rate - Euro	16.43	-	17.04	-	16.91	-

The realised average exchange rate is the weighted average of the actual exchange rates at which foreign currency dividends were received in South Africa and converted to Rands.

NET ASSET VALUE AND BORROWINGS

Net asset value

The Group's net asset value at 31 December 2019 was R91.07 per share, a premium of 62.5% to the share price of R56.05 at that date.

Borrowings

Restoring the Group's investment grade credit rating remains one of our key priorities.

Total on-balance sheet debt reduced by R1.3 billion from 30 June 2019 to 31 December 2019. This was mainly due to the repayment of USD-denominated debt from the proceeds received on disposal of the investments in Manda Hill and Achimota, as well as improved utilisation of surplus cash balances and revolving credit facilities.

Hyprop's loan-to-value (LTV) and interest cover ratios (ICR) at 31 December 2019 were as follows:

	31 December 2019	30 June 2019
Interest cover	3.8	4.1
LTV - See through calculation [1]	34.2%	35.2%
LTV - Fully consolidated [2]	43.9%	44.0%

[1] *Calculated taking into account Hyprop's attributable share of the net assets of Hystead, the Hystead debt guaranteed by Hyprop and the back-to-back security Hyprop holds from PDI in relation to the guarantees. Methodology used by the majority of Hyprop's lender banks.*

[2] *Calculated to take into account 100% of Hystead's assets and bank borrowings.*

Notwithstanding the R1.3 billion decrease in debt over the period, the LTV ratio was negatively impacted by the decrease in the value of investment property and the impairment of the S-SA assets.

The ICR remains healthy at 3.8 times cover, having reduced from 4.1 times cover at 30 June 2019 due to the higher interest expense following the conversion of the dollar denominated debt to Rand denominated debt.

The Group complied with all of its banking covenants during the period and, based on our internal stress testing of the covenants, there is currently sufficient headroom between the actual and required loan covenants to cater for a further decline in the value of the Group's investment properties.

Details of the Group's borrowings (including the Hystead borrowings guaranteed by Hyprop) are set out in the table below:

	31 December 2019 Fully consolidated LTV Rm	31 December 2019 See-through LTV Rm	30 June 2019 Fully consolidated LTV Rm	30 June 2019 See-through LTV Rm
South African debt	4 449	4 449	4 658	4 658
Bank debt	1 208	1 208	1 558	1 558
Corporate bonds	3 241	3 241	3 099	3 099
USD	1 619	1 619	2 671	2 671
USD (included in liabilities directly associated with non-current assets held-for-sale)	1 051	1 051	1 057	1 057
On balance sheet debt	**7 119**	**7 119**	**8 385**	**8 385**
EUR total bank debt	12 351		12 289	
EUR[1]		4 951		4 994
Total debt	**19 470**	**12 071**	**20 674**	**13 379**
Portfolio assets				
South African assets	28 268	28 268	30 051	30 051
Investment property South African Portfolio	27 460	27 460	28 476	28 476
Building appurtenances	160	160	162	162
Other assets	648	648	1 413	1 413
USD assets	585	585	1 333	1 333
USD assets held-for-sale	2 010	2 010	2 048	2 048
On balance sheet assets	**30 863**	**30 863**	**33 432**	**33 432**
EUR total assets	13 494		13 570	
EUR assets[2]		4 477		4 604
Portfolio assets	**44 357**	**35 340**	**47 002**	**38 036**
Loan-to-value	**43.9%**	**34.2%**	**44.0%**	**35.2%**

[1] Hyprop's attributable share of Hystead debt guaranteed by Hystead shareholders after deducting the back-to-back security received from PDI

[2] Hyprop's attributable share of Hystead's NAV ((Total assets less in-country debt) x 60%)

	31 December 2019	30 June 2019
On balance sheet debt at fixed rates (excludes EUR funding)	**78.5%**	**77.0%**
South African debt	99.0%	101.1%
USD debt	40.3%	44.6%
EUR debt guaranteed by Hystead shareholders	100.0%	100.0%
Debt at fixed rates excluding swaps (excludes EUR funding)		
South African debt	**0.0%**	0.0%
USD debt	**21.5%**	31.4%
Maturity of interest rate hedges (years)	**1.9**	**2.3**
South African debt	2.2	2.6
USD debt	0.8	1.2
Average duration of borrowings (years)	**2.3**	**2.2**
South African debt	3.1	2.8
USD debt	0.9	1.4
Cost of funding (including hedges)	**7.8%**	**7.7%**
South African debt	9.3%	9.3%
USD debt	5.5%	5.4%
EUR debt	2.0%	2.0%
Cost of funding (excluding hedges)	**7.4%**	**7.3%**
South African debt	8.5%	8.7%
USD debt	5.4%	5.5%
Debt Capital Market (DCM) % of total debt	**27%**	25%
Interest cover ratio		
Interest cover ratio (gross)	**3.8**	4.1
Interest cover ratio (net)	**4.4**	5.2
Unencumbered investment property		
South Africa	**30%**	19%
Europe	**0%**	0%
Africa	**0%**	0%
Borrowings covenants		
LTV (Banks / DCM)	**50% - 70% / 55%**	50% - 70% / 55%
Interest cover (Banks)	**1.75 - 2.0**	1.75 - 2.0

Rand denominated debt

The South African bank debt is secured against South African investment properties, while the DCM funding is unsecured.

Loans and bonds totalling R1.4 billion were repaid during the period from available cash resources and the issue of R950 million of new bonds with an average maturity of 3 years and an interest rate margin of 1.5%.

The Group currently has R700 million in unutilised revolving credit facilities.

US Dollar-denominated debt

USD-denominated debt reduced from $244 million at 30 June 2019 to $171 million at 31 December 2019 (R3.5 billion to R2.7 billion) following receipt of the net proceeds from the disposal of the interests in Manda Hill and Achimota of $53 million, and a further $20 million of capital contributed by Hyprop to Hyprop Mauritius.

At 31 December 2019, $115 million of the USD-denominated debt is secured by guarantees from Hyprop against South African investment property.

Euro-denominated debt

At 31 December 2019, Hyprop had guaranteed €362 million of interest-bearing loans advanced by banks to Hystead. This debt is not consolidated in Hyprop's statement of financial position, however, the financial support results in the recognition of a financial liability in Hyprop's statement of financial position. Hyprop's obligations under the guarantees are secured against South African investment property. In exchange for providing guarantees which exceed Hyprop's 60% shareholding in Hystead, Hyprop receives a credit enhancement fee from PDI, currently equivalent to 11% of the dividends declared by Hystead.

Certain of the in-country loans in Hystead were refinanced during the period at lower interest rates, an important recognition of the credit quality of the Hystead property portfolio by its lender banks.

There were no changes to the financial liabilities for the guarantees issued by Hyprop in relation to the Hystead debt it has guaranteed. These liabilities are recognised at the higher of the day one fair value or the expected credit losses.

BOARD CHANGES

On 1 October 2019 Annabel Dallamore was appointed as an independent non-executive director, strengthening the Board's technology expertise, and as a member of the Audit and Risk and Investment committees. Mike Lewin retired as a director at the Annual General Meeting held on 2 December 2019 and the Board thanks him for his valuable contribution over the last 9 years. Pursuant to Mike Lewin's retirement, Nonyameko Mandindi was appointed as the chair of the Social and Ethics Committee.

PROSPECTS

The Group remains focussed on achieving the strategic priorities set out in the introductory paragraphs above, the objective of which is to create a more defensive balance sheet and a base for sustainable long-term growth. The growth will emanate from the repositioned South Africa portfolio and the investments in Eastern Europe.

Hyprop's guidance for the 2020 financial year remains unchanged from that provided in September 2019. The Group expects a reduction in distributable income for the year ending 30 June 2020 of approximately 10% to 13%.

This guidance is based on the following key assumptions:

- Forecast investment property income is based on contractual rental escalations, and market-related renewals;
- Appropriate allowances for vacancies and rent reversions have been incorporated into the forecast;
- No major corporate and tenant failures will occur;
- The impact of the Edcon rent reduction/share subscription until March 2021;
- No further deterioration in performance of the remaining S-SA assets;
- The remaining S-SA assets will be disposed of by 31 December 2020 and the proceeds used to settle USD denominated debt;
- Earnings from offshore investments will not be materially impacted by exchange rate volatility or disruptions in the financial markets;
- Exchange rates (which have not been hedged) have been assumed at R15.00 and R16.50 to the US Dollar and Euro, respectively.

This guidance has not been reviewed or reported on by the Company's auditors.

DIVIDEND

Payment of a cash dividend with the election to reinvest the cash dividend for additional shares in Hyprop

A dividend of 308.73709 cents per share for the six months ended 31 December 2019 will be paid to shareholders, who will be entitled to elect to reinvest the net cash dividend in return for additional Hyprop shares through a DRIP.

All amounts raised from the DRIP will be utilised to strengthen the Group's balance sheet and to reduce the LTV.

The board of directors of Hyprop may, in its discretion, withdraw the DRIP should market conditions warrant such action. Any such withdrawal will be communicated to shareholders prior to the release of the DRIP finalisation announcement on SENS, which will be released on SENS in due course.

A circular in this regard is in the process of being prepared and will be distributed to shareholders in due course. A detailed announcement relating to the dividend and the DRIP, including salient dates, the discount to the market price at which shareholders will be entitled to subscribe for additional Hyprop shares and the tax treatment of the dividend and the DRIP, will be released separately once the relevant regulatory approvals have been obtained and the circular has been published.

BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 31 December 2019 were prepared in accordance with the JSE Listings Requirements for condensed consolidated results, the requirements of the Companies Act of South Africa and International Financial Reporting Standards (IFRS) (including specifically the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and IAS 34 Interim financial reporting).

All amendments to standards that are applicable to Hyprop for its financial year beginning 1 July 2019 have been considered, and, except as described below, the accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 30 June 2019.

Based on management's assessment, the amendments to the applicable accounting standards and adoption thereof did not have a material impact on the Group's condensed consolidated financial statements for the six months ended 31 December 2019.

The Group has adopted IFRS 16 Leases with effect from 1 July 2019.

Impact on recognition
There was no impact on recognition of leases in situations where the Group is the lessor. The Group does not have any leases where it is the lessee.

Impact on measurement
The expansion of rental income straight-lining to include inflation-linked leases resulted in a non-material change to the straight-line rental income accrual and amortisation. The adjustment is made prospectively.

Impact on disclosure
The Group anticipates providing enhanced disclosures as required by IFRS 16, mainly related to the components of lease income and risk management in relation to exposures to residual asset risk, in its 2020 financial statements.

GOING CONCERN

These condensed consolidated financial statements have been prepared on the going concern basis as the directors have reason to believe that the Company and its subsidiaries have adequate resources to continue operations for the foreseeable future.

Hyprop has historically been able to refinance its debt with no difficulty and, based on available bank facilities and interactions with its major lenders, remains confident of its ability to continue to do so.

These condensed consolidated financial statements have not been reviewed or audited by Hyprop's independent external auditors.

The financial information was prepared under the supervision of Brett Till CA(SA) in his capacity as chief financial officer.

On behalf of the board

GR Tipper Chairman	**MC Wilken** Chief Executive Officer	**BC Till** Chief Financial Officer

27 February 2020

Condensed consolidated statement of comprehensive income

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
Revenue	**1 594 097**	**1 631 673**	**3 217 848**
Rental and other lease income	1 169 031	1 167 173	2 330 177
Straightline rental income accrual	(61 636)	(19 399)	(87 887)
Recoveries	486 702	483 899	975 558
Impairment of trade receivables	(11 976)	(16 781)	(47 052)
Property expenses	(603 630)	(570 888)	(1 132 002)
Net property income	**978 491**	**1 044 004**	**2 038 794**
Other operating income[1]	13 249	12 714	27 715
Other operating expenses[1]	(50 611)	(33 363)	(69 315)
Operating income	**941 129**	**1 023 355**	**1 997 194**
Net interest	**(262 013)**	**(138 861)**	**(461 155)**
Interest income	61 457	161 218	156 043
Interest expense	(323 470)	(300 079)	(617 198)
Net operating income	**679 116**	**884 494**	**1 536 039**
Guarantee fee income	21 142	20 425	40 542
Dividends received	115 348	111 434	221 190
Net income before fair value adjustments	**815 606**	**1 016 353**	**1 797 771**
Changes in fair value	**(928 462)**	**110 485**	**(587 083)**
Investment property	(1 060 244)	320 334	(337 238)
Other investments	(23 603)	-	(12 705)
Loans receivable at FVTPL	-	-	(105 809)
Financial asset	151 548	(213 364)	(85 229)
Derivative instruments	3 837	3 515	(46 102)
Profit on disposal of investment property	-	-	2 825
Impairment of loans receivable	(168 891)	(1 069 991)	(1 350 727)
Other impairments	-	-	(29 964)
Derecognition of financial guarantees	-	33 674	185 686
(Loss)/profit before taxation	**(281 747)**	**90 521**	**18 508**
Taxation	(3 933)	(10 138)	93 028
(Loss)/profit for the period/year	**(285 680)**	**80 383**	**111 536**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of taxation)	**(7 817)**	**1 628**	**(44 094)**
Exchange differences on translation of foreign operations	(7 745)	(2 292)	(46 959)
Exchange differences on translation of foreign operations: non-controlling interests	(72)	3 920	2 865
Total comprehensive (loss)/ income for the period/year	**(293 497)**	**82 011**	**67 442**
Total profit for the period/year attributable to:			
Shareholders of the company	(279 519)	181 895	164 922
Non-controlling interests	(6 161)	(101 512)	(53 386)
(Loss)/profit for the period/year	**(285 680)**	**80 383**	**111 536**
Total comprehensive income attributable to:			
Shareholders of the company	(287 264)	179 603	117 963
Non-controlling interests	(6 233)	(97 592)	(50 521)
Total comprehensive (loss)/income for the period/year	**(293 497)**	**82 011**	**67 442**

[1]*Reallocation of Asset management fee income from Other operating expenses to Other operating income:*
Asset management fees earned from related parties were previously reflected as a credit in Other operating expenses. The fees are now reflected as Other operating income. Comparative amounts have been reallocated accordingly.

Condensed consolidated statement of financial position

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
ASSETS			
Non-current assets	**28 007 517**	**33 558 090**	**28 876 436**
Investment property	27 069 206	30 618 288	28 027 321
South African portfolio	27 069 206	28 807 785	28 027 321
Ikeja City Mall (Lagos, Nigeria)	-	1 810 503	-
Straightline rental income accrual	390 318	531 771	448 917
Building appurtenances and tenant installations	159 579	153 573	162 288
Investment in Sub-Saharan Africa (excluding SA)	-	2 054 164	-
Financial asset	369 992	176 472	218 444
Loans receivable	18 422	19 256	18 847
Derivatives	-	4 566	619
Current assets	**1 214 497**	**1 197 556**	**2 729 289**
Loans receivable	584 546	-	1 333 106
Taxation	2 540	-	2 530
Trade and other receivables	209 877	289 496	105 625
Derivatives	7 905	6 938	2 691
Cash and cash equivalents	409 629	901 122	1 285 337
Non-current assets classified as held-for-sale	**2 010 301**	**206 060**	**2 047 847**
Total assets	**31 232 315**	**34 961 706**	**33 653 572**
EQUITY AND LIABILITIES			
Equity and reserves	**23 288 040**	**25 512 412**	**24 491 805**
Equity and reserves attributable to shareholders of the company	23 254 474	25 519 685	24 452 006
Non-controlling interest	33 566	(7 273)	39 799
Liabilities			
Non-current liabilities	**4 536 752**	**6 435 082**	**6 578 987**
Borrowings	4 275 524	5 872 230	6 320 801
Financial guarantees	110 401	348 577	110 401
Derivatives	59 303	23 470	60 224
Deferred taxation	91 524	190 805	87 561
Current liabilities	**2 327 011**	**3 003 326**	**1 484 480**
Borrowings	1 792 521	2 531 009	1 008 000
Trade and other payables	525 495	468 833	469 141
Taxation	-	940	-
Derivatives	8 995	2 544	7 339
Liabilities associated with non-current assets held-for-sale	**1 080 512**	**10 886**	**1 098 300**
Total liabilities	**7 944 275**	**9 449 294**	**9 161 767**
Total equity and liabilities	**31 232 315**	**34 961 706**	**33 653 572**
Equity and reserves attributable to shareholders of the company	23 254 474	25 519 684	24 452 006
Shares in issue (excluding treasury shares)	255 345 725	255 540 828	255 309 759
Net asset value per share (R)	**91.07**	**99.87**	**95.77**

Condensed consolidated statement of cash flows

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
Cash flows utilitsed by operating activities	**(83 067)**	**(147 832)**	**(186 730)**
Cash flows generated from operating activities before distributions	834 400	823 496	1 769 737
Cash generated from operations	1 094 000	1 054 372	2 149 932
Interest received	61 457	54 133	174 128
Interest paid	(321 057)	(282 721)	(550 115)
Taxation paid	-	(2 288)	(4 208)
Dividends paid	(917 467)	(971 328)	(1 956 467)
Cash flows from investing activities	**467 997**	**75 414**	**567 235**
Acquisition of and additions to investment property	(105 319)	(58 777)	(95 064)
Additions to building appurtenances and tenant installations	(23 247)	(10 461)	(45 051)
Proceeds on disposal of assets classified as held-for-sale	-	-	201 437
Repayments and advances of loans receivable	557 022	47 835	224 517
Dividends received	39 541	96 817	281 396
Cash flows (applied to)/from financing activities	**(1 266 295)**	**257 460**	**275 645**
Loans repaid	(2 466 427)	(3 446)	(1 414 851)
Loans raised	1 200 132	260 906	1 708 078
Purchase of Hyprop shares by Hyprop Share Scheme	-	-	(17 582)
Net (decrease)/increase in cash and cash equivalents	**(881 365)**	**185 042**	**656 150**
Cash and cash equivalents at the beginning of the period/year	1 285 337	715 493	715 493
Effects of changes in exchange rates (FCTR)	(11 008)	587	(44 950)
Cash and cash equivalents transferred from/(to) non-current assets held-for-sale	16 665	-	(41 356)
Cash and cash equivalents at the end of the period/year	**409 629**	**901 122**	**1 285 337**

Condensed consolidated statement of changes in equity

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
Balance at the beginning of the period/year	**24 491 805**	**26 395 237**	**26 395 237**
Opening retained income adjustment	-	-	1 806
Total comprehensive (loss)/income	**(293 497)**	**82 011**	67 442
(Loss)/profit for the period/year	(285 680)	80 383	111 536
Other comprehensive income for the period/year	(7 817)	1 628	(44 094)
Transactions with shareholders of the company - contributions and distributions	**(910 268)**	**(964 836)**	**(1 972 680)**
Forfeit of shares	-	-	(9 009)
Treasury shares purchased	-	-	(17 569)
Share-based payment expense	7 195	6 492	10 365
Dividends declared and paid	(917 463)	(971 328)	(1 956 467)
Balance at the end of the period/year	**23 288 040**	**25 512 412**	**24 491 805**

Condensed reconciliation of headline earnings

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
Earnings - profit for the period/year attributable to shareholders of the company	(279 519)	181 895	164 922
Headline earnings adjustments	1 121 879	(387 903)	406 040
Change in fair value of investment property	1 121 879	(300 935)	425 125
Profit on disposal of investment property	-	-	(2 825)
Other impairments	-	-	29 964
Non-controlling interest	-	(86 968)	(46 224)
Headline earnings	**842 360**	**(206 008)**	**570 962**
Total number of shares in issue	255 894 516	255 894 516	255 894 516
Weighted average number of ordinary shares in issue	255 318 396	255 424 601	255 495 272
Fully diluted weighted average number of shares in issue	255 578 988	255 631 464	255 610 315
Total shares in issue for dividend per share (excludes treasury shares)	255 345 725	255 540 828	255 309 759
Basic (loss)/earnings per share (cents)	(109.5)	71.2	64.5
Headline earnings/(loss) per share (cents)	329.9	(80.7)	223.5
Fully diluted basic (loss)/earnings per share (cents)	(109.4)	71.2	64.5
Fully diluted headline earnings/(loss) per share (cents)	329.6	(80.6)	223.4

Reconciliation of attributable net profit for the period to distributable earnings

	Unaudited six months 31 December 2019 R'000	Unaudited six months 31 December 2018 R'000	Audited 12 months 30 June 2019 R'000
Total profit for the period attributable to shareholders of the company	**(279 519)**	**181 895**	**164 922**
Adjusted for:	1 136 418	803 345	1 737 746
Change in fair value - investment property	1 121 879	(387 904)	378 901
Change in fair value - derivative instruments	(3 837)	(3 515)	46 102
Change in fair value - financial asset	(151 548)	213 364	85 229
Change in fair value - loans receivable at FVTPL	-	-	105 809
Derecognition of financial guarantee	-	(33 674)	(185 686)
Profit on disposal of investment property	-	-	(2 825)
Impairment of loans receivable	168 891	1 069 991	1 350 727
Other impairments	-	-	29 964
Taxation	3 933	10 138	(93 028)
Capital and other items	503	(900)	(951)
Income from Sub-Saharan Africa[1]	(3 403)	(64 155)	23 504
Distributable earnings	**856 899**	**985 240**	**1 902 668**

[1] Net effect of converting IFRS earnings to distributable earnings

Reconciliation of net income/(loss) before fair value adjustments to distributable earnings

	6 months to 31 December 2019				6 months to 31 December 2018				12 months to 30 June 2019			
	SA	EE	S-SA	GROUP	SA	EE	S-SA	GROUP	SA	EE	S-SA	GROUP
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Net income/(loss) before fair value adjustments	**700 108**	**136 653**	**(21 155)**	**815 606**	**833 073**	**136 153**	**47 127**	**1 016 353**	**1 627 268**	**266 016**	**(95 513)**	**1 797 771**
Adjustments to calculate distributable income	**35 499**	**-**	**5 794**	**41 293**	**11 609**	**-**	**(42 722)**	**(31 113)**	**67 743**	**-**	**37 154**	**104 897**
Straightline rental income accrual	58 600	-	3 036	**61 636**	12 397	-	7 002	**19 399**	81 399	-	6 488	**87 887**
Non-controlling interest	-	-	6 161	**6 161**	-	-	14 544	**14 544**	-	-	30 959	**30 959**
Taxation paid	-	-	-	**-**	-	-	(1 916)	**(1 916)**	-	-	(427)	**(427)**
Net interest adjustments	-	-	(3 403)	**(3 403)**	-	-	(62 352)	**(62 352)**	-	-	134	**134**
Other fair value adjustments - Edcon	(23 603)	-	-	**(23 603)**	-	-	-	**-**	(12 705)	-	-	**(12 705)**
Capital items for distribution purposes	502	-	-	**502**	(788)	-	-	**(788)**	(951)	-	-	**(951)**
Distributable income	**735 607**	**136 653**	**(15 361)**	**856 899**	**844 682**	**136 153**	**4 405**	**985 240**	**1 695 011**	**266 016**	**(58 359)**	**1 902 668**
% change	***(12.9%)***	***0.4%***		***(13.0%)***								
Weighted average number of shares for calculating distributable income per share				**255 345 725**				**255 540 828**				**255 429 272**
Distributable income per share	**288.1**	**53.5**	**(6.0)**	**335.6**	**330.6**	**53.3**	**1.7**	**385.6**	**663.6**	**104.1**	**(22.8)**	**744.9**
% change	***(12.8%)***	***0.4%***		***(13.0%)***								
Dividend pay-out ratio				**92%**				**100%**				**100%**
Dividend per share				**308.7**				**385.6**				**744.9**

Reconciliation of cash generated from operations to distributable earnings

	6 months to 31 December 2019				6 months to 31 December 2018				12 months to 30 June 2019			
	SA R'000	EE R'000	S-SA R'000	GROUP R'000	SA R'000	EE R'000	S-SA R'000	GROUP R'000	SA R'000	EE R'000	S-SA R'000	GROUP R'000
Cash generated from operations	**1 005 196**	**21 305**	**67 499**	**1 094 000**	**969 262**	**20 425**	**64 685**	**1 054 372**	**1 989 011**	**44 826**	**116 095**	**2 149 932**
Adjustments:												
Working capital changes	(58 135)	-	12 533	**(45 602)**	24 958	-	(2 443)	**22 515**	(9 272)	-	18 490	**9 218**
Depreciation	(21 320)	-	(739)	**(22 059)**	(19 089)	-	(644)	**(19 733)**	(40 523)	-	(1 686)	**(42 209)**
Bad debts provided	(2 824)	-	(10 585)	**(13 409)**	3 065	-	-	**3 065**	-	-	-	**-**
Straightlining	(58 600)	-	(3 036)	**(61 636)**	(12 397)	-	(7 002)	**(19 399)**	(81 399)	-	(6 488)	**(87 887)**
Other non-cash items	(12 627)	-	-	**(12 627)**	(11 434)	-	10 101	**(1 333)**	(4 064)	-	41	**(4 023)**
Edcon impairment	23 603	-	-	**23 603**	-	-	-	**-**	12 705	-	-	**12 705**
Net interest	(175 185)	-	(86 827)	**(262 012)**	(121 292)	-	(17 570)	**(138 862)**	(239 190)	-	(221 965)	**(461 155)**
Dividends	-	115 348	-	**115 348**	-	115 728	-	**115 728**	-	221 190	-	**221 190**
Net income before fair value adjustments	**700 108**	**136 653**	**(21 155)**	**815 606**	**833 073**	**136 153**	**47 127**	**1 016 353**	**1 627 268**	**266 016**	**(95 513)**	**1 797 771**
Straightlining	58 600	-	3 036	**61 636**	12 397	-	7 002	**19 399**	81 399	-	6 488	**87 887**
Non-controlling interest	-	-	6 161	**6 161**	-	-	14 544	**14 544**	-	-	30 959	**30 959**
Taxation expense - Mauritius	-	-	-	**-**	-	-	(1 916)	**(1 916)**	-	-	(427)	**(427)**
Net interest adjustments	-	-	(3 403)	**(3 403)**	-	-	(62 352)	**(62 352)**	-	-	134	**134**
Edcon impairment	(23 603)	-	-	**(23 603)**	-	-	-	**-**	(12 705)	-	-	**(12 705)**
Capital items for distributable purposes	502	-	-	**502**	(788)	-	-	**(788)**	(951)	-	-	**(951)**
Distributable income	**735 607**	**136 653**	**(15 361)**	**856 899**	**844 682**	**136 153**	**4 405**	**985 240**	**1 695 011**	**266 016**	**(58 359)**	**1 902 668**

Investment in Hystead Limited

The following disclosures are made for the group's 60% investment in Hystead which is accounted for as a financial asset, measured at fair value through profit or loss.

Carrying value and net movement for the period/year	Unaudited 6 months ended 31 December 2019 R'000	Unaudited 6 months ended 31 December 2018 R'000	Audited 12 months ended 30 June 2019 R'000
Balance at the beginning of the period/year	218 444	152 556	152 556
Net change in fair value of future cashflows	151 548	23 916	65 888
Loans receivable capitalised	-	40 716	40 716
New guarantees issued	-	196 565	110 401
Fair value adjustment	151 548	(213 365)	(85 229)
Balance at the end of the period/year	**369 992**	**176 472**	**218 444**
Movements through profit or loss			
Movement on financial asset	43 347	(91 635)	613 300
Movement on deferred gains on financial asset	108 201	115 551	(516 432)
Net movements on financial asset before guarantees	**151 548**	**23 916**	**96 868**
less capital investments	-	(40 716)	(71 696)
less new guarantees issued	-	(196 565)	(110 401)
Total fair value adjustment to financial asset	**151 548**	**(213 365)**	**(85 229)**

Measurement of fair value

The following tables show the valuation techniques and significant unobservable inputs used in measuring the level 3 financial asset:

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 (December 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	Increase	Increase
	Terminal growth rate	Decrease	Decrease
	Exit cap rate	Increase	Decrease
	Discount rate	Decrease	Increase

Valuation assumptions Level 3 - significant unobservable inputs	Unaudited 6 months to 31 December 2019	Unaudited 6 months to 31 December 2018	Audited 12 months to 30 June 2019
Financial asset – Hystead			
Annual growth rate	(6.4%) to 4.1%	0.0%	(1.1%) to 2.5%
Weighted average annual growth rate	0.4%	0.0%	0.2%
Terminal growth rate	0.0%	1.8% to 2.3%	1.8% to 2.3%
Weighted average terminal growth rate	0.0%	1.9%	1.9%
Discount rate	6.0% to 8.0%	6.0% to 8.0%	6.0% to 8.0%
Weighted average discount rate	6.9%	6.9%	6.9%
Exit capitalisation rates	5.0% to 7.3%	5.0% to 7.3%	5.0% to 7.3%
Weighted average exit capitalisation rate	5.7%	5.9%	5.8%

Financial Guarantees

Hyprop and PDI Investment Holdings Limited (PDI) have guaranteed EUR 401.3 million of loans advanced by banks to Hystead as follows:

- Hyprop EUR 361.3 million (June 2019: EUR 360.8 million)
- PDI EUR 40 million (June 2019: EUR 40 million)

PDI has provided back-to-back guarantees to Hyprop for a further EUR 46.8 million (June 2019: EUR 46.8 million) equivalent to 11.7% of the EUR 401.3 million guaranteed debt.

For the EUR 73.4 million of debt (June 2019: EUR 73.2 million) (18,3% of the EUR 401.3 million guaranteed debts) which Hyprop has guaranteed in excess of its pro rata 60% interest in Hystead, Hyprop receives 60% of the related dividends declared to PDI from Hystead, which equates to 11% (60% x 18.3%) of the dividends paid by Hystead, as a guarantee fee (the credit enhancement fee). This agreement is in place until May 2021.

There were no changes to the guarantees granted during the period.

The guarantees issued by Hyprop on behalf of Hystead are recognised as financial liabilities on the statement of financial position at the higher of the day 1 fair value or the expected credit loss value.

Carrying value and net movement for the period/year	Unaudited 6 months ended 31 December 2019 R'000	Unaudited 6 months ended 31 December 2018 R'000	Audited 12 months ended 30 June 2019 R'000
Balance at the beginning of the period/year	**110 401**	**185 686**	**185 686**
New guarantees issued	-	196 565	110 401
Derecognition of guarantees cancelled	-	(33 674)	(185 686)
Balance at the end of the period/year	**110 401**	**348 577**	**110 401**

Measurement of fair value

The following tables show the valuation techniques and significant unobservable inputs used in measuring the level 3 financial guarantees:

Valuation technique	Unobservable inputs	Movement in input	Effect on estimated fair value
Discounted cash flow: Contractual future cash flows related to each loan were calculated and then multiplied by an appropriate probability of default (PD) and loss given default (LGD). The amounts were then discounted (using risk free rates) to either the inception date of the exposure or the valuation date to obtain the day one fair value or expected credit loss (ECL). For the ECL calculations, these can be calculated for either a 12 month period (stage 1) or lifetime (stage 2). Depending on the stage or exposure, the relevant ECL value was chosen and compared to the day 1 fair value.	Probability of default (PD)	Increase	Increase
	Loss given default (LGD)	Decrease	Decrease
	Credit rating	Decrease	Increase

Valuation assumptions Level 3 - significant unobservable inputs	Unaudited 6 months to 31 December 2019	Audited 12 months to 30 June 2019
Financial guarantees		
Risk Free rate	EUR IOS and USD IOS	EUR IOS and USD IOS
Data used for probability of default (PD)	Market traded instruments	Market traded instruments
Loss given default	20%	20%
Credit rating	BB+ to BBB	BB+ to BBB

Transfers between levels

There were no transfers in either direction between levels 1 and 2 during the current or prior periods, nor were there any transfers out of level 2 or 3 during the current or prior periods for the financial assets and financial liabilities.

FINANCIAL INSTRUMENTS

A. Accounting classifications and fair value hierarchy

The following table reflects the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

	Carrying amount			Fair value and fair value hierarchy		
	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Unaudited 6 months to 31 December 2019						
Financial assets measured at fair value						
Financial asset	369 992	-	369 992	-	369 992	369 992
Derivative instruments – current	7 905	-	7 905	7 905	-	7 905
	377 897	**-**	**377 897**	**7 905**	**369 992**	**377 897**
Financial assets not measured at fair value						
Loans receivable – non-current	-	18 422	18 422	-	-	-
Loans receivable – current	-	584 546	584 546	-	-	-
Trade and other receivables (including held-for-sale)[1]	-	269 772	269 772	-	-	-
Cash and cash equivalents (including held-for-sale)	-	434 476	434 476	-	-	-
	-	**1 307 216**	**1 307 216**	**-**	**-**	**-**
Financial liabilities measured at fair value						
Derivative instruments – non-current	59 303	-	59 303	59 303	-	59 303
Derivative instruments – current	8 995	-	8 995	8 995	-	8 995
Financial guarantees – non-current	110 401	-	110 401	-	110 401	110 401
	178 699	**-**	**178 699**	**68 298**	**110 401**	**178 699**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	5 326 782	5 326 782	-	-	-
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	1 792 521	1 792 521	-	-	-
Trade and other payables (including held-for-sale)[2]	-	367 428	367 428	-	-	-
	-	**7 486 731**	**7 486 731**	**-**	**-**	**-**

[1] The following items are excluded from this balance: prepayments, municipal deposits and sundry receivables.
[2] The following items are excluded from this balance: staff provisions, municipal provisions and VAT payables.

	Carrying amount			Fair value and fair value hierarchy		
	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Unaudited 6 months to 31 December 2018						
Financial assets measured at fair value						
Financial asset	176 472	-	176 472	-	176 472	176 472
Derivative instruments – non-current	4 566	-	4 566	4 566	-	4 566
Derivative instruments – current	6 938	-	6 938	6 938	-	6 938
	187 976	**-**	**187 976**	**11 504**	**176 472**	**187 976**
Financial assets not measured at fair value						
Loans receivable – non-current	423 881	1 630 283	2 054 164	-	-	-
Loans receivable – current	-	19 256	19 256	-	-	-
Trade and other receivables (including held-for-sale)[1]	7 348	244 898	252 246	-	-	-
Cash and cash equivalents (including held-for-sale)	712	901 122	901 834	-	-	-
	431 941	**2 795 559**	**3 227 500**	**-**	**-**	**-**
Financial liabilities measured at fair value						
Derivative instruments – non-current	23 471	-	23 471	23 471	-	23 471
Derivative instruments – current	2 545	-	2 545	2 545	-	2 545
	26 016	**-**	**26 016**	**26 016**	**-**	**26 016**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	5 872 230	5 872 230	-	-	-
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	2 531 009	2 531 009	-	-	-
Financial guarantees – non-current	-	348 577	348 577	-	-	-
Trade and other payables (including held-for-sale)[2]	10 886	374 853	385 739	-	-	-
	10 886	**9 126 669**	**9 137 555**	**-**	**-**	**-**

[1] *The following items are excluded from this balance: prepayments, municipal deposits and sundry receivables.*
[2] *The following items are excluded from this balance: staff provisions, municipal provisions and VAT payables.*

	Carrying amount			Fair value and fair value hierarchy		
	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Audited 12 months to 30 June 2019						
Financial assets measured at fair value						
Financial asset	218 444	-	218 444	-	218 444	218 444
Derivative instruments – non-current	619	-	619	619	-	619
Derivative instruments – current	2 691	-	2 691	2 691	-	2 691
	221 754	**-**	**221 754**	**3 310**	**218 444**	**221 754**
Financial assets not measured at fair value						
Loans receivable – non-current	-	18 847	18 847	-	-	-
Loans receivable – current	423 139	909 967	1 333 106	-	423 139	423 139
Trade and other receivables (including held-for-sale)[1]	-	174 970	174 970	-	-	-
Cash and cash equivalents (including held-for-sale)	-	1 326 849	1 326 849	-	-	-
	423 139	**2 430 633**	**2 853 772**	**-**	**423 139**	**423 139**
Financial liabilities measured at fair value						
Derivative instruments – non-current	60 224	-	60 224	60 224	-	60 224
Derivative instruments – current	7 339	-	7 339	7 339	-	7 339
Financial guarantees – non-current	110 401	-	110 401	-	110 401	110 401
	177 964	**-**	**177 964**	**67 563**	**110 401**	**177 964**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	7 365 864	7 365 864	-	-	-
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	1 019 499	1 019 499	-	-	-
Trade and other payables (including held-for-sale)[2]	-	373 679	373 679	-	-	-
	-	**8 759 042**	**8 759 042**	**-**	**-**	**-**

[1] The following items are excluded from this balance: prepayments, municipal deposits and sundry receivables.
[2] The following items are excluded from this balance: staff provisions, municipal provisions and VAT payables.

Related-party disclosures

The group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties.
Related parties with whom the group transacted during the period/year were:

	Unaudited 6 months ended 31 December 2019 R'000	Unaudited 6 months ended 31 December 2018 R'000	Audited 12 months ended 30 June 2019 R'000
AttAfrica - co-investor and joint venture			
Loan receivable (net of impairments)	584 546	1 630 283	909 967
Interest received	24 883	120 067	80 493
Hystead - financial asset			
Financial asset	369 992	176 472	218 444
Asset management and accounting fee income	12 814	12 714	27 715
Dividend income	115 348	111 434	221 190
Dividends receivable included in trade and other receivables	92 085	91 101	16 278
Other receivables	-	987	-
Financial guarantees given by Hyprop on behalf of Hystead			
Debt guaranteed by Hyprop on behalf of Hystead	5 688 503	5 882 798	5 748 439
Fair value of financial guarantees given by Hyprop on behalf of Hystead	110 401	348 577	110 401
Guarantee liability as a percentage of debt guaranteed (%)	1.9	5.9	1.9
PDI Investment Holdings Limited - co-investor and common director			
Credit enhancement fee: income	21 142	20 425	40 542
Credit enhancement fee: receivable included in trade and other receivables	16 878	16 698	2 984
Directors' remuneration			
Independent non-executive directors	2 146	1 762	3 524
Non-executive directors	465	370	794
Total executive directors	**9 278**	**11 620**	**18 583**
Basic salary	4 695	4 172	8 933
Pension fund contributions	505	315	890
Performance bonus (paid in December)	1 830	5 894	5 894
Share incentive scheme (IFRS 2 charge)	2 155	1 042	1 751
Other benefits	93	197	1 115
Directors' interests in Hyprop shares	**614 857**	**3 762 311**	**502 181**
Independent non-executive directors	37 940	28 440	33 440
Non-executive directors	378 000	3 206 170	378 000
Executive directors[1]	198 917	527 701	90 741

[1] *Includes shares awarded under the Hyprop Employee Share Scheme*

CORPORATE INFORMATION

Directors
G.R. Tipper*† (Chairman), M.C. Wilken (CEO), B.C. Till (CFO), A.W. Nauta (CIO), K.M. Ellerine*, Z. Jasper*†, A.A. Dallamore*†, N. Mandindi*†, T.V. Mokgatlha*†, L. Norval*, S. Shaw-Taylor*†

**Non-executive* | *†Independent*

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Statucor Proprietary Limited

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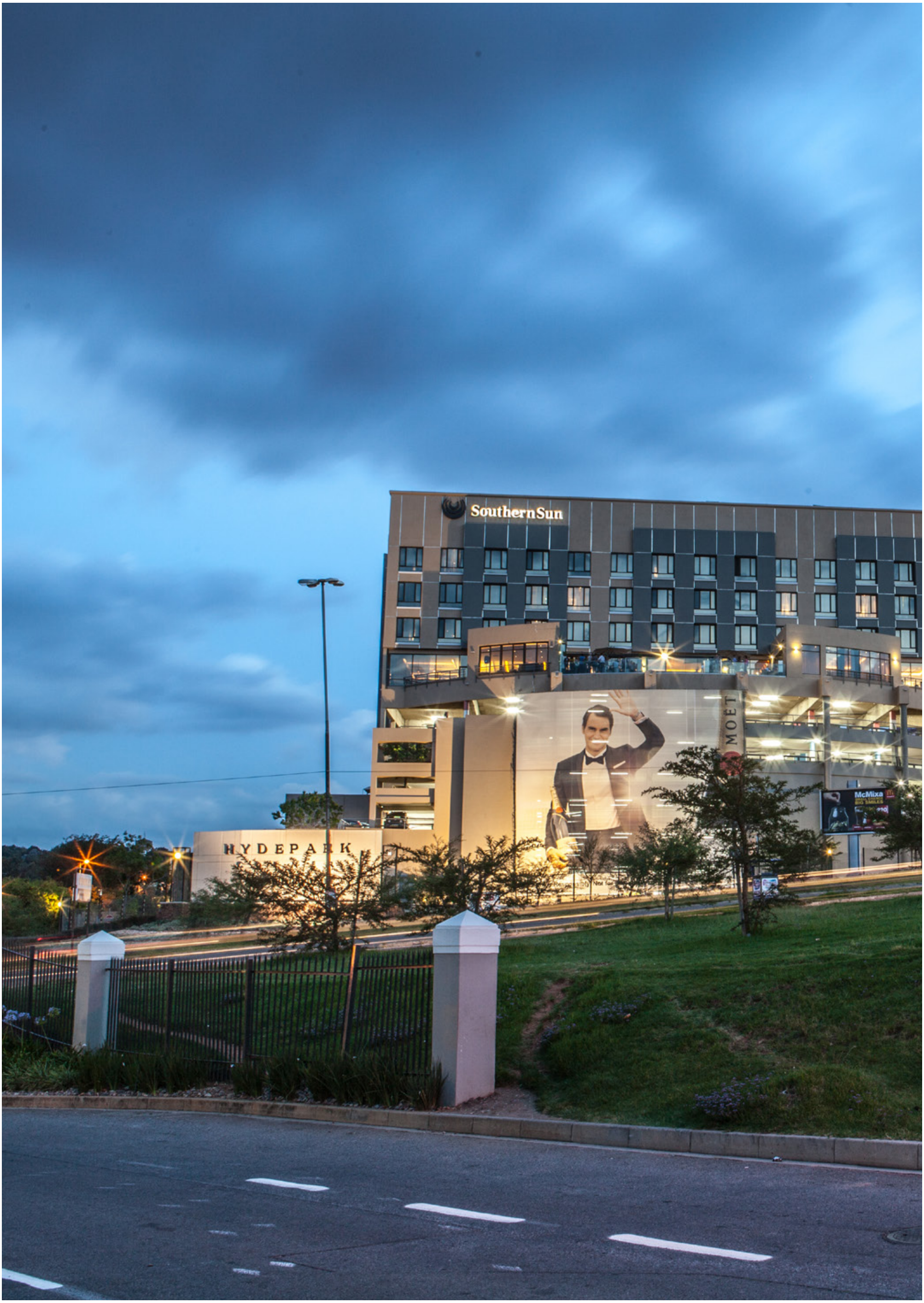
SouthernSun
MOËT
HYDEPARK
McMixa

HYPROP INVESTMENTS LIMITED

HYPROP INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP
ISIN: ZAE000190724
Bond issuer code: HYPI
(Approved as a REIT by the JSE)
("Hyprop" or "the Company" or "the Group")