



## PROPERTY INVESTMENT EXCELLENCE

2nd Floor  
21 Cradock Avenue  
Cradock Heights  
Rosebank 2196



**HYPROP**  
INVESTMENTS LIMITED

SUMMARISED CONSOLIDATED RESULTS  
for the year ended 30 June 2017  
PROPERTY INVESTMENT EXCELLENCE

# Highlights

Total dividend up **12,1%**

Agreement to acquire

**The Mall in Sofia, Bulgaria**

(post year-end)

Disposal of non-core

properties for **R867 million**

## **HYPROP INVESTMENTS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP

ISIN: ZAE000190724

(Approved as a REIT by the JSE)

("Hyprop" or "the company" or "the group")

# Summarised consolidated statement of comprehensive income

	Audited 12 months 30 June 2017 R000	Audited 12 months 30 June 2016 R000
<b>Revenue</b>	<b>3 167 649</b>	3 078 221
Investment property income	3 128 062	2 976 420
Straight-line rental income accrual	39 587	101 801
Property expenses	(1 073 877)	(993 861)
Net property income	2 093 772	2 084 360
Other operating expenses	(78 232)	(76 593)
Operating income	2 015 540	2 007 767
Net interest	(336 502)	(366 176)
Received	294 177	323 759
Paid	(630 679)	(689 935)
Net operating income	1 679 038	1 641 591
Other income	36 931	
Change in fair value	983 372	1 217 049
Investment property	1 181 786	1 382 134
Straight-line rental income accrual	(39 587)	(101 801)
Financial guarantee	(163 855)	
Investment in joint venture	10 102	(10 102)
Derivative instruments	(5 074)	(53 182)
Loss on disposal	(526)	
Investment in subsidiary	(2 557)	
Investment property	2 031	
Impairment of loan (AttAfrica)	(25 377)	
Impairment of goodwill	(18 134)	
Net income before equity-accounted investments	2 655 304	2 858 640
Share of loss from joint ventures	(50 380)	(41 007)
Share of income from associate		457
Dividends	146 350	
<b>Profit before taxation</b>	<b>2 751 274</b>	2 818 090
Taxation	(4 340)	(50 930)
<b>Profit for the year</b>	<b>2 746 934</b>	2 767 160
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	(27 623)	(1 491)
<b>Total comprehensive income for the year</b>	<b>2 719 311</b>	2 765 669
Total profit for the year attributable to:		
Shareholders of the company	2 767 652	2 750 847
Non-controlling interests	(20 718)	16 313
<b>Profit for the year</b>	<b>2 746 934</b>	2 767 160
Total comprehensive income attributable to:		
Shareholders of the company	2 755 272	2 752 041
Non-controlling interests	(35 961)	13 628
<b>Total comprehensive income for the year</b>	<b>2 719 311</b>	2 765 669

# Summarised consolidated statement of comprehensive income continued

	Audited 12 months 30 June 2017 R000	Audited 12 months 30 June 2016 R000
<b>Condensed reconciliation – headline earnings</b>		
<b>Profit for the year</b>	2 767 652	2 767 160
<b>Earnings</b>	2 767 652	2 767 160
Headline earnings adjustments	(1 173 229)	(1 372 032)
Change in fair value of: Investment property	(1 181 786)	(1 382 134)
Investment in joint venture	(10 102)	10 102
Loss/(profit) on disposal: Investment in subsidiary	2 556	
Investment property	(2 031)	
Impairment of goodwill	18 134	
<b>Headline earnings</b>	1 594 423	1 395 128
Total shares in issue	248 441 278	243 256 092
Weighted average shares in issue	247 441 400	242 921 081
Diluted weighted average shares in issue	247 720 531	243 367 758
Total shares in issue for dividend per share (excludes treasury shares)	247 899 032	248 030 619
Basic earnings per share (cents)	1 118,5	1 139,1
Headline earnings per share (cents)	644,4	574,3
Diluted earnings per share (cents)	1 110,8	1 131,1
Diluted headline earnings per share (cents)	637,1	567,3

# Summarised consolidated statement of financial position

	Audited 30 June 2017 R000	Audited 30 June 2016 R000
<b>Assets</b>		
<b>Non-current assets</b>	<b>32 854 166</b>	32 227 218
Investment property	29 681 596	28 702 563
South African portfolio	27 711 853	26 380 137
Ikeja City Mall (Lagos, Nigeria)	1 969 743	2 322 426
Building appurtenances and tenant installations	148 530	126 100
Investments in sub-Saharan Africa (excluding SA)	3 005 821	3 315 614
Investment in associate		766
Loans receivable	17 434	14 732
Goodwill		18 134
Derivative instruments	785	49 309
<b>Current assets</b>	<b>1 366 021</b>	378 150
Receivables	230 741	179 193
Derivative instruments	9 530	
Cash and cash equivalents	1 125 750	198 957
<b>Non-current assets held-for-sale</b>	<b>426 681</b>	1 243 591
<b>Total assets</b>	<b>34 646 868</b>	33 848 959
<b>Equity</b>	<b>24 882 553</b>	23 118 856
Stated capital and reserves	24 788 254	22 988 596
Non-controlling interest	94 299	130 260
<b>Liabilities</b>		
<b>Non-current liabilities</b>	<b>5 428 316</b>	8 879 743
Interest-bearing liabilities	5 068 332	8 632 036
Financial guarantee	163 855	
Derivative instruments	56 530	101 198
Deferred taxation	139 599	146 509
<b>Current liabilities</b>	<b>4 322 925</b>	1 822 492
Payables	489 681	528 440
Interest-bearing liabilities	3 832 306	1 294 052
Derivative instruments	938	
<b>Liabilities directly associated with non-current assets held-for-sale</b>	<b>13 074</b>	27 868
<b>Total liabilities</b>	<b>9 764 315</b>	10 730 103
<b>Total equity and liabilities</b>	<b>34 646 868</b>	33 848 959
<b>Net asset value per share (R)</b>	<b>99,78</b>	94,50

# Summarised consolidated statement of changes in equity

	Audited 30 June 2017 R000	Audited 30 June 2016 R000
Balance at beginning of year	23 118 856	21 658 721
Total profit for the year attributable to Hyprop shareholders	2 767 652	2 750 847
Non-controlling interest	(35 961)	130 260
Issue of shares	695 656	
Treasury shares	3 422	(27 789)
Dividends	(1 660 316)	(1 404 296)
Share-based payment reserve	5 624	9 919
Foreign currency translation reserve	(12 380)	1 194
Balance at end of year	24 882 553	23 118 856
<b>Distribution details</b>		
<b>Total distribution for the year (cents)</b>	<b>695,1</b>	<b>619,9</b>
Six months ended 30 June (cents)	<b>347,8</b>	<b>322,1</b>
Six months ended 31 December (cents)	<b>347,3</b>	<b>297,8</b>

# Summarised consolidated statement of cash flows

	Audited 30 June 2017 R000	Audited 30 June 2016 R000
Cash flows from operating activities	319 908	(210 672)
Cash generated from operations	2 159 602	1 709 767
Interest received	266 423	191 515
Interest paid	(441 049)	(692 192)
Taxation paid	(4 751)	(15 466)
Dividends paid	(1 660 317)	(1 404 296)
Cash flows from investing activities	669 846	(1 716 759)
Cash flows from financing activities	(44 833)	1 989 143
Net increase in cash and cash equivalents	944 921	61 712
Cash (disposed)/acquired with subsidiary	(4 006)	48 964
Translation effects on cash and cash equivalents of foreign entities	(12 336)	5 002
Cash reallocated to assets held-for-sale	(1 786)	(562)
Cash and cash equivalents at beginning of year	198 957	83 841
<b>Cash and cash equivalents at end of year</b>	<b>1 125 750</b>	<b>198 957</b>

## Introduction

Hyprop, Africa's leading specialist shopping centre Real Estate Investment Trust (REIT), operates a portfolio of shopping centres in major metropolitan areas across South Africa (SA), sub-Saharan Africa (excluding SA) and South-Eastern Europe.

The shopping centre portfolio in South Africa includes super-regional centre Canal Walk, large regional centres Clearwater, The Glen, Woodlands, CapeGate, Somerset Mall and Rosebank Mall, and regional centre Hyde Park Corner.

The sub-Saharan African portfolio (excluding SA) includes interests in Accra Mall, West Hills Mall and Achimota Retail Centre (all in Accra, Ghana), Kumasi City Mall in Kumasi, Ghana, Manda Hill Centre in Lusaka, Zambia and Ikeja City Mall in Lagos, Nigeria.

Hyprop's investments in South-Eastern Europe, held via UK-based Hystead Limited, include 60% interests in Delta City Belgrade, Serbia, Delta City Podgorica, Montenegro and Skopje City Mall in Skopje, Macedonia. In July 2017, Hyprop agreed to acquire a 60% interest in The Mall in Sofia, Bulgaria.

## Financial results

Hyprop has declared a dividend of 347,8 cents per share for the six months ended 30 June 2017, an increase of 8,0% on the corresponding period in 2016. The total distribution for the year of 695,1 cents per share is an increase of 12,1% on the prior year, in line with forecast.

Due to constraints on the conversion of Naira to US Dollar, distributable earnings from Ikeja City Mall in Lagos, Nigeria, amounting to R26,0 million, were excluded from dividends for the year.

Distributable earnings for the year benefited from the inclusion of income amounting to R101,8 million from the investments in South-Eastern Europe (30 June 2016: R24,6 million).



## South African portfolio

### Revenue and distributable earnings

Business segment	12 months ended 30 June 2017		12 months ended 30 June 2016	
	Revenue R000	Distributable earnings R000	Revenue R000	Distributable earnings R000
Shopping centres	2 580 200	1 723 648	2 413 365	1 633 312
Value centres <sup>(1)</sup>	174 314	128 615	161 017	114 046
<b>Total retail</b>	<b>2 754 514</b>	<b>1 852 263</b>	<b>2 574 382</b>	<b>1 747 358</b>
Standalone offices <sup>(2)</sup>	46 908	28 332	41 701	25 828
Investment property (excluding properties sold)	2 801 422	1 880 595	2 616 083	1 773 186
Properties sold <sup>(3)</sup>	74 179	36 332	128 611	74 965
<b>Total investment property</b>	<b>2 875 601</b>	<b>1 916 927</b>	<b>2 744 694</b>	<b>1 848 151</b>

<sup>1</sup>Includes Willowbridge North (held-for-sale)

<sup>2</sup>Includes Lakefield Office Park (held-for-sale)

<sup>3</sup>Properties sold during the 2017 year include Somerset Value Mart, Willowbridge South, Glenfield and Glenwood office parks.

Revenue and distributable earnings from investment property (excluding properties sold) increased by 7.1% and 6.1%, respectively.

Clearwater, Hyde Park Corner, CapeGate and Somerset Mall performed well during the year, with weighted average growth in distributable earnings of 8.6%. The Glen's income was negatively affected by construction work and limited rent reductions.

Trading density growth continued to slow in the second half of the year. Excluding The Glen, trading density growth for the year was 2.0% (30 June 2016: 6.7%). Trading density growth for the year including The Glen was 1.4% (30 June 2016: 5.0%).

Notwithstanding the slowing in trading density growth, Hyprop's shopping centres continue to receive strong demand for space from both national and international tenants.

### Cost-to-income ratios

	30 June 2017	30 June 2016
Net basis (%)	15,7	15,0
Gross basis (%)	33,3	33,2

The cost-to-income ratios increased marginally, due in part to higher municipal costs at Canal Walk and loss of income due to extensions and refurbishments at The Glen, Rosebank Mall and Canal Walk.

## Tenant arrears

Total arrears as a percentage of rental income were 0,4% (30 June 2016: 0,5%). Bad debts written off during the year were R8,9 million (30 June 2016: R13,3 million).

## Vacancies

Vacancy profile by sector	% of total rentable area	
	30 June 2017	30 June 2016
Retail	1,9	0,8
Office	7,9	4,5
<b>Total</b>	<b>2,4</b>	<b>1,1</b>

The retail vacancy of 1,9% includes the former Stuttafords stores at Clearwater and Rosebank Mall which were vacated at the end of May 2017 (6 299m<sup>2</sup>), Cinemas at Woodlands Boulevard (2 397m<sup>2</sup>) and the former HiFi Corporation store at CapeGate (1 358m<sup>2</sup>).

The Stuttafords store at Canal Walk has been re-let to H&M (scheduled to begin trading in November 2017). After year-end, the retail vacancy reduced to 1,7%.

The increase in office vacancies relates primarily to The Mall Offices in Rosebank, where Sasol vacated 8 942m<sup>2</sup> during the year. Good progress has been made letting this space (albeit at lower rentals), and only 1 821m<sup>2</sup> of space remains vacant. Other office vacancies include small areas at Hyde Park Corner and Canal Walk.

Valuations	Rentable area (m <sup>2</sup> )	Value attributable to Hyprop		Value per rentable area
		30 June 2017 R000	30 June 2016 R000	30 June 2017 (R/m <sup>2</sup> )
<b>Business segment</b>				
Shopping centres	644 196	26 490 589	25 282 472	45 181
Value centres <sup>(1)</sup>	66 394	1 473 000	1 321 000	22 186
<b>Total retail</b>	<b>710 590</b>	<b>27 963 589</b>	<b>26 603 472</b>	<b>43 033</b>
Total standalone offices <sup>(2)</sup>	20 328	310 798	289 075	15 289
<b>Total (excluding properties sold)</b>	<b>730 918</b>	<b>28 274 387</b>	<b>26 892 547</b>	
Properties sold <sup>(3)</sup>			838 000	
<b>Investment property</b>	<b>730 918</b>	<b>28 274 387</b>	<b>27 730 547</b>	<b>42 261</b>

<sup>1</sup>Includes Willowbridge North (held-for-sale)

<sup>2</sup>Includes Lakefield office park (held-for-sale)

<sup>3</sup>Properties sold during the 2017 year include Somerset Value Mart, Willowbridge South, Glenfield and Glenwood office parks

Excluding properties sold, investment property was valued at R28,3 billion at 30 June 2017 (30 June 2016: R26,9 billion), an increase of 5,1%. The weighted average capitalisation rate of the portfolio is 6,6%. All discount and capitalisation rates remained largely the same as the previous year.

## Capital expenditure

Extensions and refurbishments at Rosebank Mall, The Glen and Canal Walk are on schedule and within budget:

Shopping centre	Project	Amount (Hyprop share)	Completion date
Rosebank Mall	Additional 4 300m <sup>2</sup> rentable area	R127,0 million	April 2018
The Glen	Food court enclosure and additional 1 200m <sup>2</sup> rentable area	R90,9 million	April 2018
Canal Walk	Additional retail in La Piazza area	R41,6 million	November 2017

The extension of Rosebank Mall will accommodate H&M and other key tenants, while the refurbishments at Canal Walk and The Glen will strengthen the retail offering in specific areas of the respective centres. The estimated average forward yield for the three projects is approximately 7%.

Hyprop is focused on improving the quality and sustainability of its shopping centres and during the year R177,9 million (30 June 2016: R178,0 million) was spent on refurbishments, tenant installations, new equipment and technology. The third phase of the solar photovoltaic plant at Clearwater Mall will be completed in September 2017, following which approximately 15% of the centre's electricity requirements will be provided by solar power.

## Disposals

During the year, the following disposals were completed, at an average yield of approximately 9%:

	Sale price	Rentable area (m <sup>2</sup> )	Transfer date
Somerset Value Mart	R185 million	12 546	September 2016
Glenfield Office Park	R180 million	10 320	December 2016
Willowbridge South	R460 million	25 268	March 2017
Glenwood Office Park	R42 million	3 471	May 2017
<b>Total</b>	<b>R867 million</b>	<b>51 605</b>	

The sale of Willowbridge North for R225 million is unconditional and transfer is anticipated in September 2017.

As a consequence of the above disposals (Willowbridge North included), the rentable area in the South African portfolio will reduce by 69 152m<sup>2</sup>, a reduction of 8,8%.

Lakefield Office Park is the last remaining non-core property to be sold. Willowbridge North and Lakefield Office Park are included under assets held-for-sale in the statement of financial position at 30 June 2017.

The disposal of non-core assets has improved the overall quality of the portfolio, with a reduced exposure to the higher risk office sector.

### Investments outside South Africa

The functional and reporting currencies for the investments in sub-Saharan Africa (excluding SA) and South-Eastern Europe are the US Dollar and Euro, respectively.

The relevant exchange rates used to convert to Rand at the respective dates were as follows:

	30 June 2017		30 June 2016	
	Average rate (R)	Year-end spot rate (R)	Average rate (R)	Year-end spot rate (R)
US Dollar	13,63	13,04	14,87	14,77
Euro	14,53	14,90	16,40	16,40

The average rates are a weighted average of the actual exchange rates on the dates that the foreign currency dividends were received in South Africa. The year-end spot rate is the rate used to translate balance sheet items at year-end.

Hyprop fixes the exchange rates on US Dollar and Euro income for six months in advance of receipt of the dividends.

### Investments in sub-Saharan Africa (excluding South Africa)

The macro-economic environment in the countries in which Hyprop and AttAfrica are invested in has improved in the last six months. The local currencies are more stable in Ghana and Zambia and US Dollar liquidity in Nigeria has improved, although at a weaker Naira exchange rate.

Operationally, there has been an improvement in rental collections, however there has not been any significant growth in rental levels.

	Hyprop share of distributable earnings	
	30 June 2017 R000	30 June 2016 R000
Distribution received	168 241	213 388
Interest and expenses	(111 269)	(129 734)
Net	56 972 <sup>(1)</sup>	83 654

<sup>1</sup> Excludes Ikeja distribution of R26,0 million

Distributable earnings from the investments in sub-Saharan Africa (excluding SA) reduced to R57,0 million (30 June 2016: R83,7 million), largely due to the exclusion of distributable earnings from Ikeja City Mall in Lagos, Nigeria, replacement of tenants at lower rentals at Manda Hill Centre in Lusaka, Zambia and Rand appreciation against the US Dollar.

In light of the improved US Dollar liquidity in Nigeria, we expect to resume distributing income from Ikeja City Mall during the 2018 financial year. During the current year, R65,0 million (Hyprop share: R48,7 million) was applied to the reduction of senior in-country US Dollar debt in Nigeria.

## Vacancies

	City/country	Hyprop's effective shareholding (%)	Rentable area (m <sup>2</sup> )	30 June 2017 vacancy (%)	30 June 2016 vacancy (%)
Ikeja City Mall	Lagos, Nigeria	75,0	22 223	–	2,3
Manda Hill Centre	Lusaka, Zambia	68,8	40 561	5,4	4,7
Accra Mall	Accra, Ghana	17,6	21 349	–	–
West Hills Mall	Accra, Ghana	16,8	27 560	5,3	5,0
Achimota Mall	Accra, Ghana	28,1	15 006	6,1	21,7
Kumasi City Mall	Kumasi, Ghana	28,1	17 948	26,5	n/a
<b>Total portfolio</b>			144 647	<b>6,5</b>	4,0

Demand for space at Accra Mall (Accra, Ghana) and Ikeja City Mall (Lagos, Nigeria) remains strong. Trading at Achimota Mall (Accra, Ghana), which opened in November 2015, has stabilised over the last 12 months and vacancies have reduced. Kumasi City Mall, in Kumasi, Ghana began trading in April 2017.

## Hyprop share of shareholder loans/investment property

At 30 June 2017 the Hyprop share of the US Dollar value of the AttAfrica portfolio, Manda Hill and Ikeja City Mall was USD281,8 million (30 June 2016: USD285,1 million) at a weighted average capitalisation rate of 8,4% (30 June 2016: 8,2%).

	Hyprop share	
	30 June 2017 R000	30 June 2016 R000
AttAfrica and Manda Hill	3 005 821	3 315 614
Ikeja City Mall, Lagos, Nigeria (75%)	1 476 553	1 740 658
<b>Investments in sub-Saharan Africa</b>	<b>4 482 374</b>	<b>5 056 272</b>

The Rand equivalent value of the investments in sub-Saharan Africa (excluding SA) at 30 June 2017 was R4,5 billion (30 June 2016: R5,1 billion). The net reduction over the year was largely due to Rand appreciation against the US Dollar, a reduction in the valuation of Ikeja City Mall and impairment of the AttAfrica shareholder loan in Hyprop Mauritius.

Hyprop is currently not looking to increase its investments in sub-Saharan Africa (excluding South Africa).

### Investments in South-Eastern Europe

Hyprop's investments in South-Eastern Europe are held through a UK company, Hystead Limited (Hystead), in which Hyprop has a 60% interest. The purchase of Skopje City Mall in Skopje, Macedonia, for a total consideration of EUR92 million, was effective in October 2016.

	Hyprop share of distributable earnings	
	30 June 2017 R000	30 June 2016 R000
Distribution received	147 059	37 000
Interest and expenses	(45 236)	(12 428)
Net	101 823	24 572

Trading conditions at the South-Eastern European shopping centres, including foot count and turnover growth, remain positive. Demand for space remains strong and plans to extend the centres are progressing.

### Vacancies

At 30 June 2017 (and at 30 June 2016), there were no vacancies in the South-Eastern European shopping centres.

### Hyprop share of investment property

At 30 June 2017 the Hyprop share of the Euro value of the Hystead portfolio was EUR179,9 million (30 June 2016: EUR123,7 million) at a weighted average capitalisation rate of 8,7% (30 June 2016: 8,4%).

	Hyprop share	
	30 June 2017 R000	30 June 2016 R000
Delta City Belgrade, Belgrade, Serbia (60%)	1 162 200	1 283 136
Delta City Podgorica, Podgorica, Montenegro (60%)	685 698	744 888
Skopje City Mall, Skopje, Macedonia (60%)	833 208	n/a
<b>Investments in South-Eastern Europe</b>	<b>2 681 106</b>	<b>2 028 024</b>

The total Rand equivalent value of Hyprop's share of investment property in South-Eastern Europe increased due to the acquisition of Skopje City Mall in Skopje, Macedonia. The Rand equivalent value of the Delta City centres reduced due to the appreciation of the Rand against the Euro.

The investments in South-Eastern Europe are accounted for as an investment in a financial asset with the gain on initial recognition of the financial asset being deferred. Accordingly, the investments do not appear on the consolidated statement of financial position.

## Funding

In March 2017, EUR206,0 million was refinanced for three years at a rate of 2,5% (previously 1,7%). The remaining Euro funding amounting to EUR93,0 million is currently at a rate of 1,7%. Euro debt of approximately EUR134,1 million will be refinanced during the course of the 2018 financial year with in-country asset backed finance.

The Euro debt is supported by a guarantee from Hyprop, as well as back-to-back security provided by the other shareholder of Hystead. The Hyprop funding support results in the recognition of a financial guarantee on the Hyprop statement of financial position. Hyprop receives credit enhancement fees for its funding support. In addition, the underlying properties in the South-Eastern European portfolio are currently unencumbered.

## Acquisition

In July 2017, it was announced that Hystead 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.

This will be Hystead's fourth South-Eastern European acquisition, taking the portfolio to a gross asset value of approximately EUR460 million. The Mall is the dominant shopping centre in Sofia and has a rentable area of 52 000m<sup>2</sup>, with a weighted average rent of EUR18,30/m<sup>2</sup> per month. This acquisition is Hystead's first entry into the European Union and will enhance the quality, profile and critical mass of the portfolio.

The acquisition will be funded in a similar manner to Hystead's first three acquisitions, with short-term bridge funding, supported by a guarantee from Hyprop. The Hyprop support will be for approximately EUR105 million, as the property will be acquired with existing senior in-country debt, having no recourse to Hyprop.

## Hystead listing

Progress is being made with a possible listing of Hystead in the first half of calendar year 2018. The listing will enable Hystead to become a standalone fund, will reduce its reliance on Hyprop and will position it for growth through further acquisitions and developments.

## Net asset value

The net asset value (NAV) per share at 30 June 2017 increased by 5,6% to R99,78 (30 June 2016: R94,50). The increase was primarily due to an increase in the independent valuation of the South African investment property portfolio, as well as the issue of new shares at a premium to NAV per share in July 2016, offset by the impact of the stronger Rand on the sub-Saharan Africa portfolio.

At 30 June 2017, the closing share price of R116,76 represented a premium of 17,0% to the NAV per share.

## Borrowings

	30 June 2017 Rm	30 June 2016 Rm
South African debt	4 114	4 632
Bank debt	1 814	2 992
Corporate bonds	2 300	1 200
Commercial paper		440
USD debt (Rand equivalent)	4 391	4 842
EUR debt (Rand equivalent)	2 674	1 510
Cash and cash equivalents	(1 126)	(239)
<b>Net borrowings</b>	<b>10 052</b>	<b>10 745</b>
Loan to value (%)	28,9	30,8
<b>Debt at fixed rates (%)<sup>(1)</sup></b>		
South African debt (%)	100,9	89,6
USD debt (%)	70,4	72,4
<b>Maturity of fixes (years)<sup>(1)</sup></b>	<b>3,4</b>	<b>4,4</b>
South African debt (years)	3,9	4,9
USD debt (years)	2,7	3,7
<b>Cost of funding (%)</b>	<b>5,7</b>	<b>6,0</b>
South African debt (%)	8,9	8,9
USD debt (%)	4,7	4,6
EUR debt (%)	2,2	1,7
Debt capital market (DCM) % of total debt	21	15

<sup>1</sup>Interest rate on Euro debt is not fixed

During the year, a maturing South African bank loan amounting to R1,2 billion was refinanced with DCM funding (three, four and five-year corporate bonds). All DCM funding is unsecured.

The Rand equivalent of the US Dollar-denominated bank debt reduced during the year, largely due to Rand appreciation against the US Dollar. The US Dollar debt includes debt in Hyprop Mauritius, as well as 75% of the in-country debt relating to Ikeja City Mall (Lagos, Nigeria).

The Euro debt, which funded Hyprop's 60% interest in the South-Eastern European shopping malls, is not consolidated on the Hyprop statement of financial position. For the purpose of the above analysis, 60% of the debt and 60% of the corresponding asset values have been included.



# Commentary continued

Euro-denominated debt increased, due to the final payment of EUR49,3 million in September 2016 in respect of Delta City Belgrade, as well as a payment of EUR92 million in October 2016 for Skopje City Mall in Skopje, Macedonia.

Due to the pending changes in the Euro debt structure, the interest rate on the Euro debt has not yet been fixed.

The increase in cash is largely due to inflows from the issue of new shares in July 2016 (R700 million) and proceeds received from the sale of non-core assets in the South African portfolio (R867 million).

## Distributable earnings statement and reconciliation to dividend declared

	Distributable earnings 12 months	
	30 June 2017 R000	30 June 2016 R000
South African property portfolio	1 916 927	1 848 151
Continuing operations	1 880 595	1 773 186
Properties sold	36 332	74 965
Investments in sub-Saharan Africa (excluding SA)	56 972	83 654
Investments in South-Eastern Europe	101 823	24 572
Fund management expenses	(67 347)	(63 922)
Net interest	(321 336)	(394 310)
Other income	36 533	7 372
Antecedent dividend		16 704
Distributable earnings	1 723 572	1 522 221
Total shares in issue at year-end	248 441 278	243 256 092
Treasury shares	(542 246)	(410 659)
Shares issued, August 2016		5 185 186
Shares in issue for distributable earnings	247 899 032	248 030 619
Dividend per share (cents)	695,1	619,9
Dividend per share growth (%)	12,1	14,2

Net interest costs of R321,3 million (30 June 2016: R394,3 million) reduced due to non-core asset sales of R867 million and a cash inflow of R700 million in July 2016 from the issue of new shares. The proceeds from non-core asset sales and the issue of new shares were applied in part to the reduction of debt (R518,0 million) and to capital expenditure in the South African portfolio (R177,9 million). The remaining cash was placed on deposit.

Other income, amounting to R36,5 million, comprises a credit enhancement fee received for the funding guarantee provided by Hyprop in respect of the South-Eastern European investments. The implementation of asset backed finance in the Hystead subsidiaries and the possible listing of Hystead will result in the termination of these fees.

Treasury shares are held in respect of an equity settled staff incentive scheme.

## Prospects

Hyprop expects dividend growth of between 7% and 9% for the year to 30 June 2018. 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 have been incorporated into the forecast
- No major corporate and tenant failures will occur
- Earnings from offshore investments will not be materially impacted by exchange rate volatility. Exchange rates have been assumed at R13,00 and R15,00 to the US Dollar and Euro respectively
- Loss of income due to developments in the South African portfolio amounting to R9,3 million
- The Hystead listing taking place in the first half of calendar year 2018.

The forecast has not been reviewed or reported on by the company's auditors.

## Payment of dividend

A dividend of 347,8 cents per share for the six months ended 30 June 2017 will be paid to shareholders as follows:

	2017
Last day to trade <i>cum</i> dividend	Tuesday, 26 September
Shares trade <i>ex</i> dividend	Wednesday, 27 September
Record date	Friday, 29 September
Payment date	Monday, 2 October

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 27 September 2017 and Friday, 29 September 2017, both days inclusive. Payment of the dividend will be made to shareholders on Monday, 2 October 2017. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 2 October 2017. Certificated shareholders' dividend payments will be deposited on or about Monday, 2 October 2017.

An announcement relating to the tax treatment of the dividend will be released separately.

## Basis of preparation

The summarised consolidated financial statements for the year ended 30 June 2017 were prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and as a minimum, contain the information required in terms of IAS 34 *Interim Financial Reporting*.

All amendments to standards that are applicable to Hyprop for its financial year beginning 1 July 2016 have been considered. Based on management's assessment, the amendments do not have a material impact on the group's annual financial statements.

All accounting policies applied in the preparation of the group annual financial statements for the year ended 30 June 2017 are consistent with those applied by Hyprop in its consolidated group annual financial statements for the prior financial year.

These summarised consolidated financial statements for the year ended 30 June 2017 have been extracted from the audited group annual financial statements, but have not themselves been audited. The directors take full responsibility for the preparation of the summarised consolidated results and for ensuring that the financial information has been correctly extracted from the underlying audited group annual financial statements. The auditor's report does not necessarily report on all of the information included in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the underlying financial information from the registered office of the company.

KPMG Inc. has audited the group annual financial statements. Their unqualified audit report is available from the registered office of the company.

Preparation of the financial information was supervised by Laurence Cohen CA(SA) in his capacity as Financial Director.

On behalf of the board

**GR Tipper**  
Chairman

**PG Prinsloo**  
CEO

1 September 2017

# Corporate information

## Directors

GR Tipper\*<sup>†</sup> (Chairman)

PG Prinsloo (CEO)

LR Cohen (FD)

KM Ellerine\*

L Engelbrecht\*<sup>†</sup>

MJ Lewin\*<sup>†</sup>

N Mandindi\*<sup>†</sup>

TV Mokgatlha\*<sup>†</sup>

L Norval\*

S Shaw-Taylor\*<sup>†</sup>

\*Non-executive †Independent

Independent non-executive director, Nyami Mandindi, was appointed to the board on 8 May 2017.

## Registered office

Second Floor

Cradock Heights

21 Cradock Avenue

Rosebank

(PO Box 52509, Saxonwold, 2132)

## Transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank

PO Box 61051, Marshalltown, 2107

## Company secretary

CIS Company Secretaries Proprietary Limited

## Sponsor

Java Capital

## Investor relations

Viki-Jane Watson

(Telephone: +27 11 447 0090)

Email: investorrelations@hyprop.co.za

[www.hyprop.co.za](http://www.hyprop.co.za)