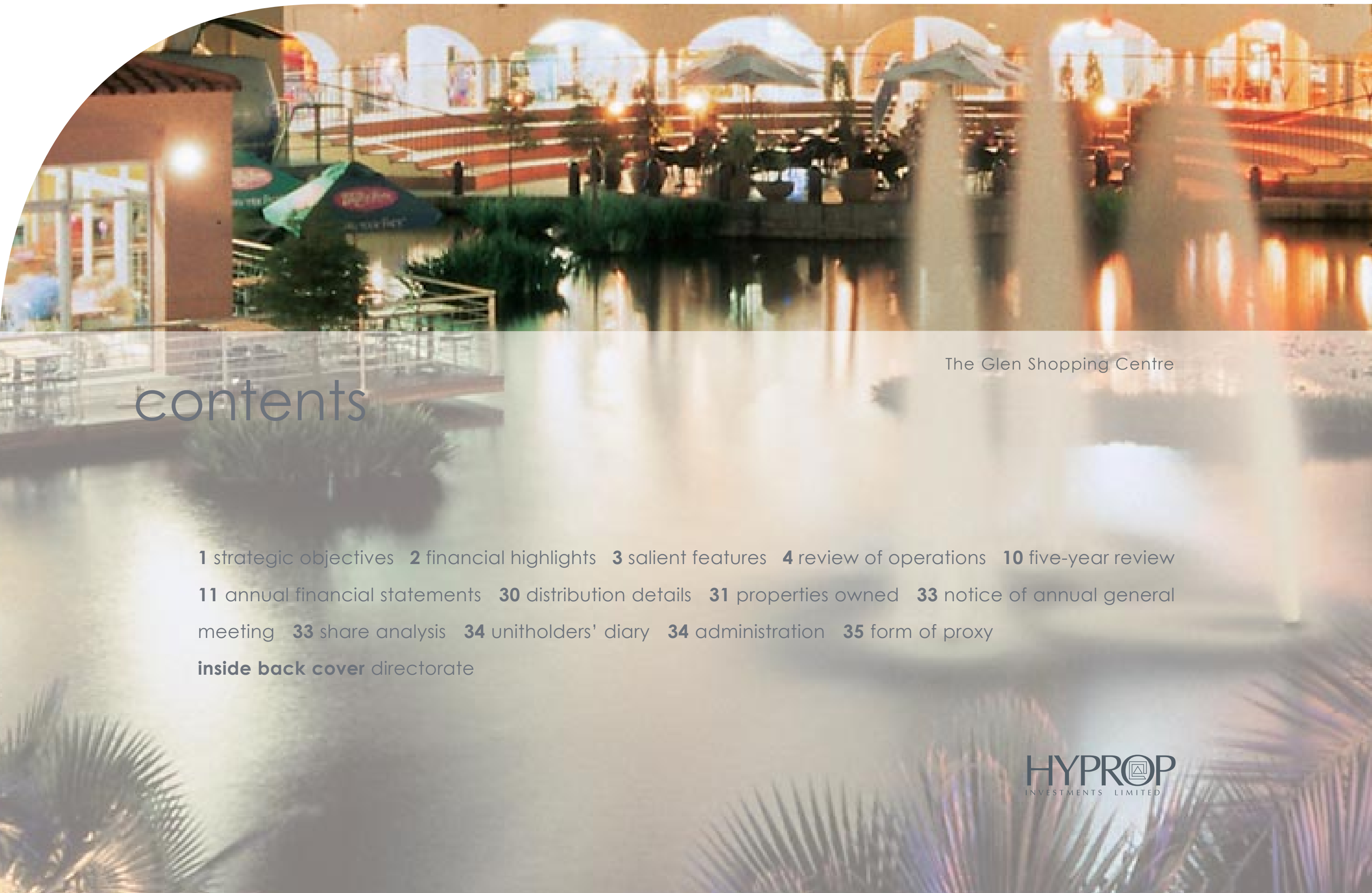
HYPROP
INVESTMENTS LIMITED

TWO THOUSAND AND ONE

Annual Financial Statements for the year ended 31 December 2001

profile

HYPROP (Hyprop Investments Limited) provides its investors with the opportunity to participate directly in the income and capital growth of a professionally-managed Property Loan Stock Company. The group's portfolio comprises investments in Hyde Park Corner Shopping Centre, The Glen Shopping Centre as well as prominent office buildings located in the northern suburbs of Johannesburg. The market capitalisation of Hyprop at 31 December 2001 was R644 million.



The Glen Shopping Centre

contents

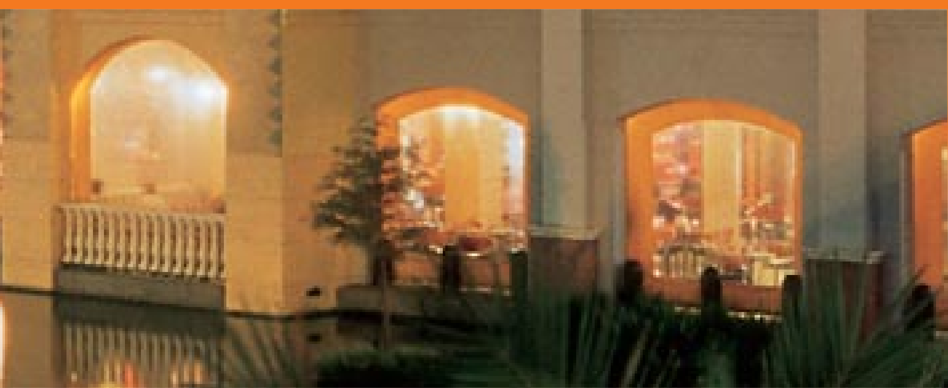
1 strategic objectives **2** financial highlights **3** salient features **4** review of operations **10** five-year review **11** annual financial statements **30** distribution details **31** properties owned **33** notice of annual general meeting **33** share analysis **34** unitholders' diary **34** administration **35** form of proxy **inside back cover** directorate

HYPROP INVESTMENTS LIMITED

strategic objectives

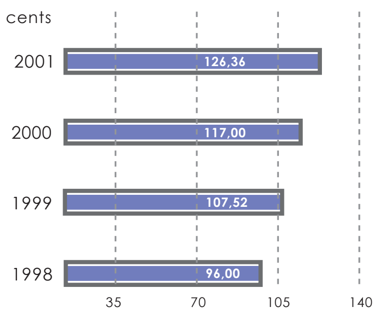
Hyprop's objective is to hold a balanced portfolio of prime, strategically located retail and office property investments that will provide shareholders with sustained growth in income and capital.

The company is committed to delivering superior property returns through its active asset management programme. New investment opportunities that will contribute to the company's performance and the selected disposal of non-strategic properties will continue to be targeted.

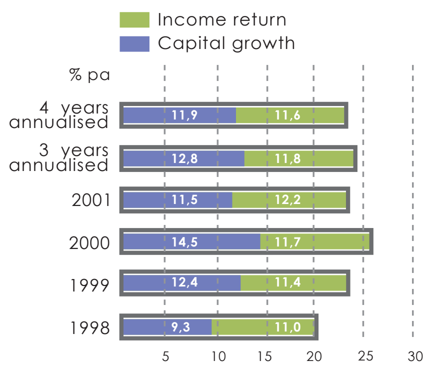


financial highlights

	2001	2000
Operating income (R000)	**72 058**	42 754
Interest income (R000)	**4 529**	7 617
Interest paid (R000) Income before distribution to unitholders (R000)	**(3 778)** **72 729**	– 50 643
Distribution per unit (cents)	**126,36**	117,00
Change (%)	**8,0**	9,0
Number of shares in issue (year-end)	**64 719 478**	43 358 756
Vacancy factor (% of lettable area)	**11,0**	6,0
Gross collections (rent and total recoveries) (R000)	**111 675**	69 097
Management fees (excluding commission paid but including asset management) (R000)	**7 331**	4 601
Management fees (% of gross collections)	**6,6**	6,7
ANALYSIS OF PERFORMANCE 2000 – 2001 (SOURCE: SAPIX/IPD South African Property Digest 2002)	%	%
Capital growth	**11,5**	14,5
Income return	**12,2**	11,7
Total return	**23,7**	26,2
Impact of developments	**0,1**	(0,7)
All standing investments	**23,6**	25,2
Fund sector returns (% pa) Standing investments only		
Retail	**26,1**	29,8
Offices	**15,9**	10,6



Distribution per unit



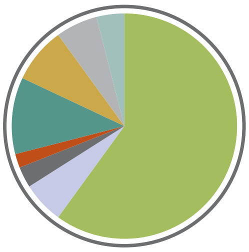
Capital and income

HYPROP INVESTMENTS LIMITED

salient features

gross property income by locality

2001



60%	Craighall/Hyde Park
6%	Morningside
3%	Rosebank
2%	Parktown
11%	Wierda Valley
8%	Rivonia/Sunninghill
6%	Sandton
4%	Midrand
0%	JHB South

2002*

50%	Craighall/Hyde Park
7%	Morningside
2%	Rosebank
2%	Parktown
8%	Wierda Valley
9%	Rivonia/Sunninghill
6%	Sandton
5%	Midrand
11%	JHB South

*Forecast for 2002 as at 1 January 2002

gross property income by sector

2001

38%	Retail
51%	Offices
10%	Parking

2002*

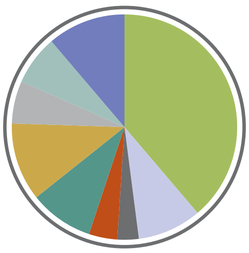
41%	Retail
49%	Offices
10%	Parking

*Forecast for 2002 as at 1 January 2002

Turtle Creek Restaurant

lettable area by locality

2001



38%	Craighall/Hyde Park
9%	Morningside
3%	Rosebank
4%	Parktown
9%	Wierda Valley
11%	Rivonia/Sunninghill
6%	Sandton
7%	Midrand
11%	JHB South

lease expiry by gross property income

2001

20%	2002
20%	2003
19%	2004
18%	2005
22%	2006+

HYPROP INVESTMENTS LIMITED

review of operations

INTRODUCTION

Hyprop Investments Limited ("Hyprop") again met its objective of sustained income growth to combined unitholders for the seventh consecutive year. This has been achieved through earnings that are derived from the ownership of quality real estate assets. Highlights for the year include:

- the merger with Kirchmann Hurry Properties Ltd ("KH Props") as a going concern with effect from 1 May 2001 that resulted in a 49% increase in the market capitalisation of the company

- the acquisition of an undivided one-third share in The Glen Shopping Centre ("The Glen") for a purchase consideration of R95 million, equating to an initial forward yield of 12%. This modern regional shopping centre is situated in a prime location in the southern suburbs of Johannesburg

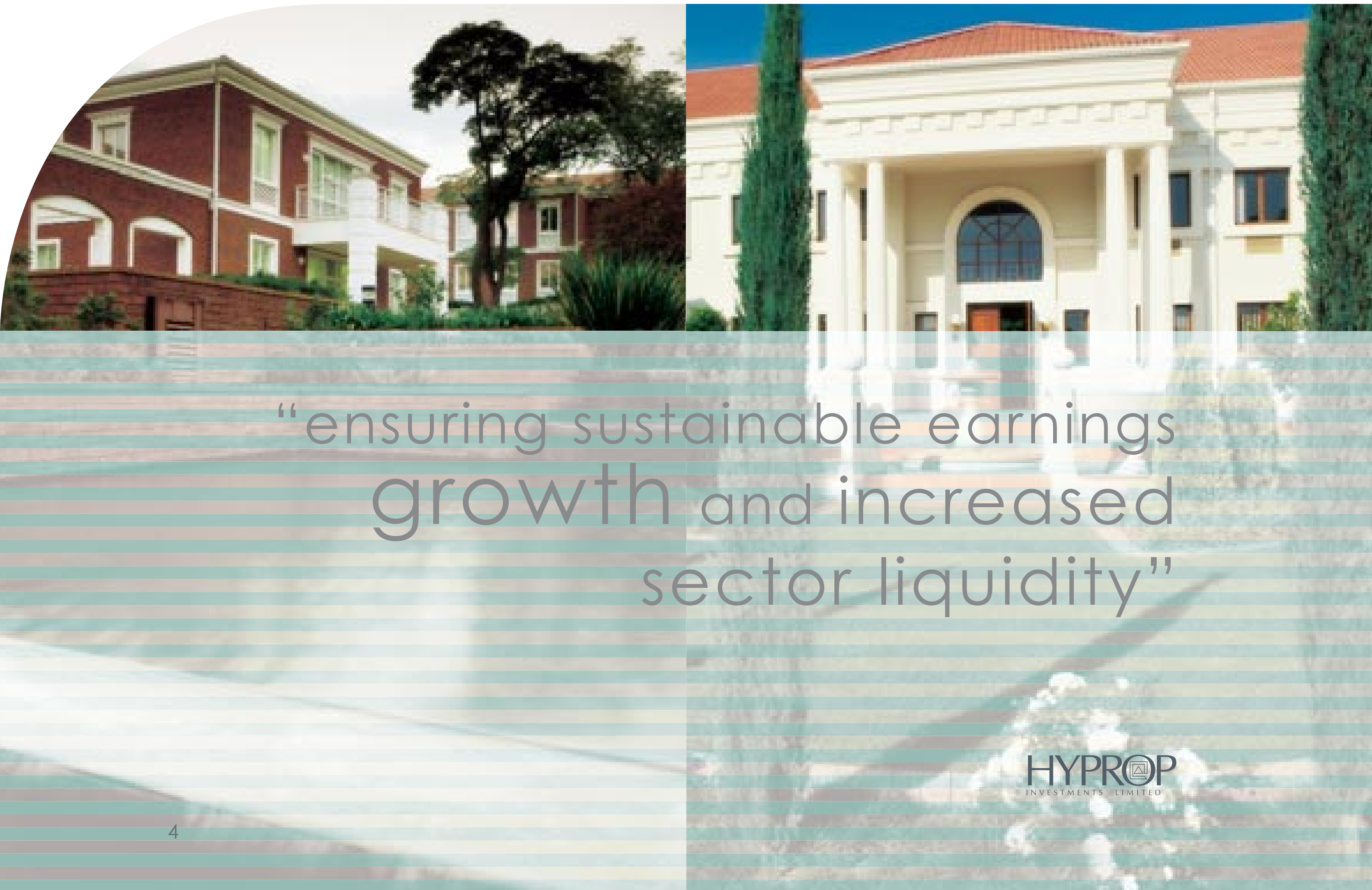
- the completion of a sixth building within the Morningview Office Park in December 2001 at a total cost of R17 million. The building comprises 2 800 square metres of rentable area and was fully let on completion.

Hyprop maintained its superior rating in the listed property sector and was again nominated by its peers as one of the top companies in the sector in terms of a survey conducted by Top 300 National Companies.

Hyprop provided investors with a first-class return on investment of 23,7% (2000: 26,2%) as measured by the SAPIX/IPD South African Property Digest 2002 ("SAPIX/IPD") for all property for the year ended 2001.

SECTOR OVERVIEW AND OUTLOOK

The listed property sector has seen significant activity over the past 24 months both as a consequence of new funds being listed and through the merger of existing funds. Up until the last quarter of 2001 the listed property sector was the best-performing asset class relative to equities and bonds over recent years, with an average yearly return of 23,5%. Over the last three years lower interest rates coupled with a positive outlook for property investment resulted in a number of new listings that have seen the capitalisation of the Property Loan Stock and Property Trust sectors grow from R4,7 billion to R12, 7 billion. This increase in



"ensuring sustainable earnings **growth** and increased sector liquidity" capitalisation and the creation of larger individual funds has contributed to higher liquidity within the sectors.

Since November 2001, however, the fundamentals in the property industry have weakened as a consequence of lower tenant demand and the oversupply of office space in certain nodes due to new development. This will result in lower rental growth prospects within these areas until current vacancies are reduced. Whilst the demand for retail space has also been impacted due to a slow-down in consumer spending, the performance of established regional shopping centres remains encouraging.

The weakening in the rand exchange rate against major currencies has led to higher yields on long-dated government bonds and an increase in interest rates. The direct correlation between the yields on government bonds and yields on listed property portfolios has resulted in the listed property sectors currently offering good value to investors.

In keeping with the general economic outlook for South Africa during 2002 no significant recovery in the property industry is anticipated over the short term. The performance of the listed property sectors will be dictated by the prospects for economic growth, the rand exchange rate, CPI targets and interest rates.

Based on this scenario, the listed property sectors should experience a year of portfolio consolidation and some merger activity but with fewer new listings being offered. The emphasis for portfolio managers will be to concentrate on tenant retention and maintaining tight cost controls.

Whilst the expected recovery in the global economy should positively influence South Africa's domestic prospects, growth in GDP is not expected to average more than 2,5% in 2002. Nevertheless, government has created a more growth-friendly economic environment in its latest budget with increased spending and tax rate reductions aimed at enhancing the performance of the economy over the medium term. This, in turn, will be positive for the property industry.

PERFORMANCE REVIEW

The financial year under review saw Hyprop actively applying its strategy of realigning the group's portfolio and achieving its objective of sustained income and capital growth. Significant changes to the group resulted in the creation of an entity with a greater critical mass providing added resistance to market fluctuations and improved investor spread.

Operating income for the year ended 31 December 2001 increased by 68% primarily as a consequence of the merger with KH Props. The decrease

Left to Right
Vodacom Park, 47 Wierda Road West, Morningview Building, 31 Prince of Wales Terrace

review of operations

in interest received arises from the reduction in cash, which was utilised for the KH Props merger and capital expenditure on new developments. The interest paid is the result of borrowing facilities being utilised in the funding of new business.

Net operating income from property represents 80% (2000: 76%) of total income for the year under review.

The total distribution for the year amounted to 126,36 cents per combined unit, an increase of 8% on that of the previous year of 117,00 cents per combined unit. The calculation of the earnings per combined unit is based on a weighted average of 57 599 237 combined units in issue.

The retained income increased from R5,031 million in the previous year to R5,604 million in 2001.

Vacancies by area increased from 6% in December 2000 to 11% in December 2001 as a consequence of the general deterioration in the office market. An active marketing campaign to re-let the space has been implemented.

Hyprop, for the first time, took advantage of its borrowing capabilities to partly fund the KH Props merger and The Glen acquisition.

As at 31 December 2001 Hyprop's borrowings amounted to R107 million. Hyprop has borrowing facilities totalling R300 million, spread between Standard Bank Properties and Absa Bank Limited, of which R193 million was unutilised at year-end. Hyprop continuously applies all surplus cash to its existing borrowing facilities, resulting in reduced gearing and interest rate costs. A selection of interest rate products ranging from short-term overnight rates to term funding rates is utilised. At year-end Hyprop had a 14% debt-to-value ratio based on the directors' valuation of the total portfolio.

During the year R7,979 million (2000: R3,961 million) was spent on tenant installations, motor vehicle and building appurtenances. In line with the policy of maintaining the quality of the property portfolio, the board has approved further expenditure of R7,350 million for the year ending 31 December 2002.

"offering prestigious shopping and office facilities"

PROPERTY PORTFOLIO

Retail portfolio

Hyprop achieved a total return of 26,1% in 2001 (2000: 29,8%) on its retail investment as measured by SAPIX/IPD. With annualised returns of 26,9% over 3 years and 25,4% over 4 years, the retail portfolio continues to deliver a strong performance.

The Bureau of Market Research reported growth in retail sales in 2001 of 2,7% mainly due to a high turnover increase for food and clothing retailers in December 2001. The prediction for 2002 is that the real growth in retail sales will slow down to 1,7% caused by shifts in consumer spending patterns. Factors that will impact on formal retail sales in 2002 include debt-averse consumers, higher transport cost, food and fuel prices and the continued growth of the informal sector.

For the year under review, Hyprop's investment in retail property consisted of the Hyde Park Corner Shopping Centre. This shopping centre is the flagship of the portfolio offering prestigious shopping and office facilities in a prominent location in the greater Johannesburg area. Due to the specialised nature of the centre, it occupies a unique position in the region's retail and commercial sphere.

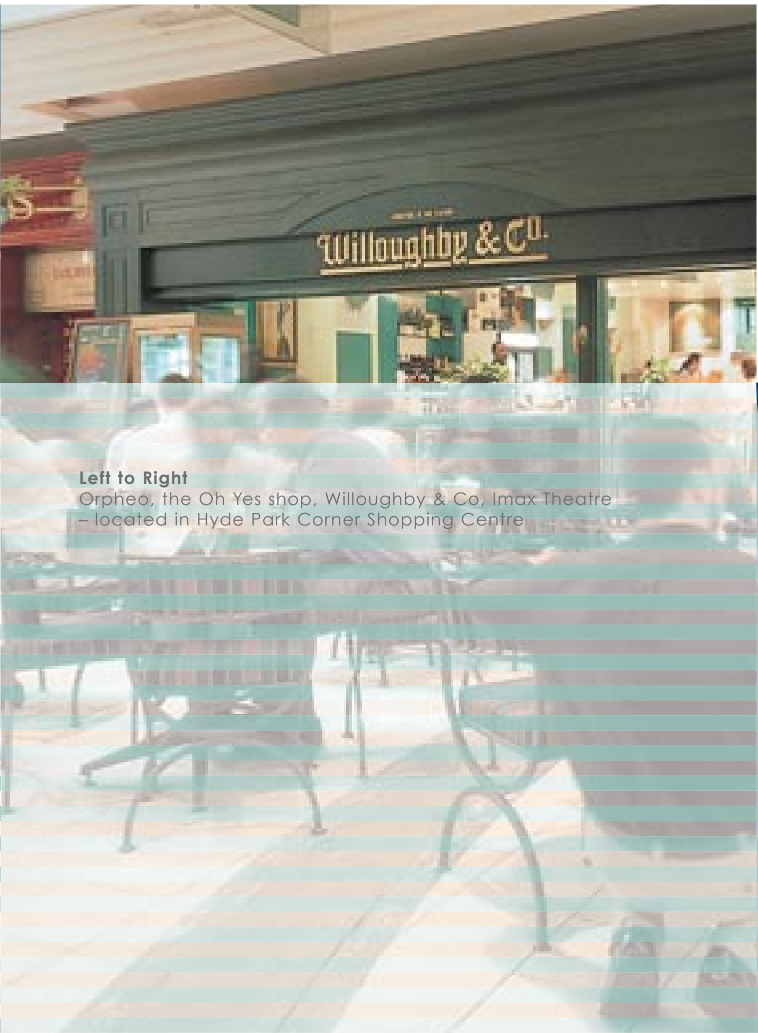
The centre consists of 24 877 m^2 retail and 9 151 m^2 of air-conditioned offices. The retail area comprises 126 shops, anchored by Pick 'n Pay, Exclusive Books, Woolworths, Nu Metro and an Imax Theatre.

In December 2001, Hyprop bought an undivided one-third share in The Glen Shopping Centre. This 44 800 m^2 regional shopping centre is situated in a prime location in the southern suburbs of Johannesburg with good access and excellent exposure to the N12 freeway.

The centre accommodates 150 shops and is anchored by Pick 'n Pay, Woolworths and Edgars. National tenants occupy 73% of the leasable area whilst 50% of the centre's leases expire only after 2006. The centre is poised to show a strong performance in 2002 with certain national tenants already on turnover rental, only 4 years after centre opening.

Both centres have embraced e-commerce, with each one hosting its own unique website that is constantly upgraded to ensure effective communication and marketing opportunities.

The retail portfolio has a reasonable expiry profile of 12% by area for the next twelve months and good progress has already been made in the renewal of leases.



Left to Right
Orpheo, the Oh Yes shop, Willoughby & Co, Imax Theatre – located in Hyde Park Corner Shopping Centre

review of operations

Office portfolio

Hyprop achieved a total return of 15,9% in 2001 (2000: 10,6%) from its underlying office portfolio as measured by SAPIX/IPD for 2001. The annualised returns over 3 and 4 years are 16,1% and 16,6% respectively and confirm the excellent quality of Hyprop's office portfolio.

The office market in the northern suburbs of Johannesburg is over-supplied and as a result rental levels have weakened considerably. This trend is expected to continue in 2002 mainly because of the relocation of major tenants to their own buildings approaching completion in the next 12 months. The rate of new speculative commercial developments should decline in the course of 2002 alleviating the negative impact of the over-supply. Well-located office buildings that offer value for money in terms of good quality space, access and visibility will continue to attract prospective tenants even though at reduced rental levels. In addition to proactively marketing for new tenants, Hyprop is engaged in a campaign to retain existing tenants.

As a result of the merger with KH Props, Hyprop's office portfolio increased from 22,573 m^2 in 2000 to 84,543 m^2 in 2001.

The expanded office portfolio of Hyprop can be summarised as follows:

Node	**Number of buildings**	**Area (m^2)**	**Vacancy at year-end (%)**
Craighall/Hyde Park	11	16,598	25
Morningside	2	12,585	18
Rosebank	2	4,300	3
Parktown	2	5,301	2
Wierda Valley	4	12,155	17
Rivonia	2	4,479	5
Sandton	1	8,518	12
Midrand	3	9,787	10
Sunninghill	1	10,820	–
Total	**28**	**84,543**	**13**

"providing investors with a first-class **return** on investment"

HYPROP INVESTMENTS LIMITED

THE FUTURE

Hyprop will continue with its strategy of actively managing its property assets. Where appropriate, selected disposals will be undertaken whilst new investment opportunities that will contribute to the growth and diversification of the portfolio will be sought.

The board anticipates growth in distribution to combined unitholders during the year ending 31 December 2002 notwithstanding current economic conditions. Although current forecasts indicate that it is unlikely that the growth in distribution achieved in the previous year will be maintained, the board will continue to apply all the resources at its disposal to achieve the strategic objectives set for Hyprop's continued outperformance within the listed property sectors.

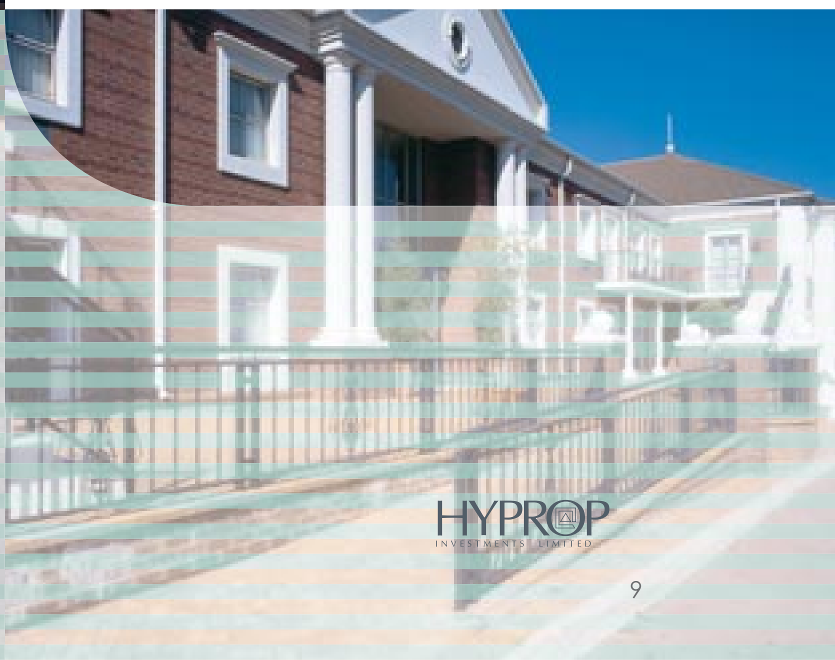
WORD OF THANKS

A sincere word of thanks and appreciation to fellow board members, including those who resigned during the year, as well as the management teams for their dedication, commitment and diligence towards meeting the challenge of continually achieving our goals.

PF Kirchmann
Chairman

PG Prinsloo
Managing Director

12 March 2002

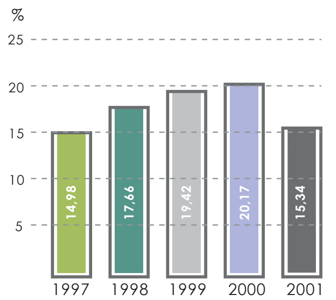


Left to Right
Investment Place, Belvedere Place, Atholl Ridge, Motswedi House

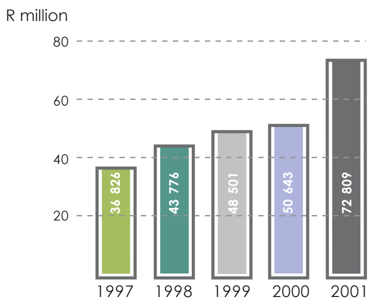
HYPROP INVESTMENTS LIMITED

five-year review

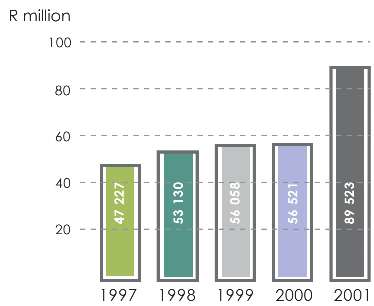
FOR THE YEAR ENDED 31 DECEMBER 2001	**2001 R000**	2000 R000	1999 R000	1998 R000	1997 R000
Turnover	**89 523**	56 521	56 058	53 130	47 227
Operating income	**72 058**	42 754	35 833	29 375	31 220
Interest received	**4 529**	7 617	12 668	14 401	9 678
Interest paid	**(3 778)**				
Abnormal items	**–**	272	–	–	(4 072)
Income before distribution to unitholders	**72 809**	50 643	48 501	43 776	36 826
Debenture interest	**72 021**	49 260	46 526	41 541	36 747
Debenture interest paid	**72 726**	50 628	46 526	41 541	36 747
Less: Capitalised	**(705)**	(1 368)	–	–	–
Income before taxation	**788**	1 383	1 975	2 235	79
Secondary tax on companies	**18**	13	12	10	9
Income after taxation	**770**	1 370	1 963	2 225	70
(Loss)/Income from associated company	**(51)**	8	3	(5)	(12)
Net income	**719**	1 378	1 966	2 220	58
Dividends	**146**	101	93	83	74
Transfer to non-distributable reserve	**–**	272	–	–	–
Retained (loss)/income for the year	**573**	1 005	1 873	2 137	(16)
Capital employed	**635 123**	299 596	298 319	296 446	294 309
Property investments including revaluation reserve	**698 708**	276 594	242 569	238 733	238 778
Net return on capital employed excluding revaluation reserve (%)	**15,34**	20,17	19,42	17,66	14,98
Net return on property investments excluding revaluation reserve (%)	**14,29**	22,21	25,00	23,02	19,35
Dividends and interest per combined unit (cents per unit)	**126,36**	117,00	107,52	96,00	84,92



Net return on capital employed



Income before distribution to unitholders



Turnover

HYPROP INVESTMENTS LIMITED