

# AUDITED RESULTS

for the year ended 31 December 2011

- ▶ Half year distribution growth **10,4%**
- ▶ Total distribution 383 cents up **7,3%**
- ▶ Market capitalisation R12,9 billion up **37%**
- ▶ Total assets R20,2 billion up **76%**
- ▶ NAV excluding deferred taxation **R57,37**
- ▶ Gearing **26,2%**

**HYPROP**  
INVESTMENTS LIMITED

Property investment excellence.

Hyprop Investments Limited (Incorporated in the Republic of South Africa) (Registration No. 1987/005284/06) Share Code: HYP ISIN Code: ZAE000003430 ("Hyprop" or "the company")

www.hyprop.co.za

## STATEMENT OF COMPREHENSIVE INCOME

	Audited 31 Dec 2011	Audited 31 Dec 2010 Restated
	R'000	R'000
Revenue	1 583 157	1 119 048
Investment property income	1 350 937	984 910
Straight-line rental income accrual	100 214	14 148
Listed property securities income	132 006	119 990
Property expenses	(511 681)	(371 932)
Net property income	1 071 476	747 116
Other operating expenses	(43 855)	(36 044)
Operating income	1 027 621	711 072
Net interest	(208 325)	(121 554)
Received	31 416	7 006
Paid	(239 741)	(128 560)
Net operating income	819 296	589 518
Change in fair value	(212 008)	586 121
Investment property	236 654	517 262
Straight-line rental income accrual	(100 214)	(14 148)
Listed property securities	258 716	75 430
Goodwill	(547 654)	
Derivative instruments	(59 510)	7 577
Loss on disposal of investment property	(6 129)	
Loss on disposal of listed property securities	(3 706)	
Amortisation of debenture premium	231 354	110 810
Amortisation of financial guarantee for associate		953
Non-core income	4 555	905
Income before debenture interest	833 362	1 288 307
Debt interest	(741 703)	(593 024)
Net income before share of income from associate	91 659	695 283
Share of income from associate	9 949	55 201
Investment property income	9 949	15 518
Straight-line rental income accrual		320
Change in fair value of investment property		39 363
Profit before taxation	101 608	750 484
Taxation	(185 639)	(80 696)
Total comprehensive (loss)/income for the year	(84 031)	669 788
<b>Abridged reconciliation - headline earnings and distributable earnings</b>		
<b>Net (loss)/income after taxation</b>	<b>(84 031)</b>	<b>669 788</b>
Debt interest	741 703	593 024
<b>Earnings</b>	<b>657 672</b>	<b>1 262 812</b>
Headline earnings adjustments	122 613	(489 099)
Change in fair value of investment property (net of deferred taxation)	(203 522)	(378 289)
Impairment of goodwill	547 654	
Loss on disposal of listed property securities	3 706	
Loss on disposal of investment property	6 129	
Amortisation of debenture premium	(231 354)	(110 810)
<b>Headline earnings</b>	<b>780 285</b>	<b>773 713</b>
Distributable earnings adjustments	(37 054)	(180 937)
Change in fair value of listed property securities (net of deferred taxation)	(222 496)	(64 870)
Change in the fair value of derivative instruments	59 510	(7 577)
Amortisation of financial guarantee for associate		(953)
Share of income from associate		(39 683)
Taxation	87 986	
Deferred taxation	28 302	(68 837)
Attfund transaction costs	9 644	983
<b>Distributable earnings</b>	<b>743 231</b>	<b>592 776</b>
Total combined units in issue	243 113 169	166 113 169
Weighted average combined units in issue	192 061 114	166 113 169
Earnings per combined unit	342,4	760,2
Headline earnings per combined unit	406,3	465,8
Distributable earnings per combined unit	383,6	356,9
<b>Distribution details</b>		
<b>Total distribution for the year</b>	<b>383,00</b>	<b>357,00</b>
Six months ended 31 December	202,00	183,00
Four months ended 31 December	137,00	
Special distribution - two months ended 31 August	65,00	
Six months ended 30 June	181,00	174,00

## STATEMENT OF FINANCIAL POSITION

	Audited 31 Dec 2011	Audited 31 Dec 2010 Restated	Audited 31 Dec 2009 Restated
	R'000	R'000	R'000
<b>Assets</b>			
<b>Non-current assets</b>	<b>19 746 691</b>	<b>11 303 054</b>	<b>10 550 405</b>
Investment property	17 357 277	9 481 454	8 858 711
Building appurtenances and tenant installations	35 873	21 237	20 993
Investment in associate	117 658	210 055	169 499
Goodwill	12 493		
Derivative instruments		13 227	
Loan receivable	47 217	47 813	47 364
Listed property securities	2 176 173	1 529 268	1 453 838
<b>Current assets</b>	<b>327 641</b>	<b>154 331</b>	<b>258 153</b>
Receivables	119 247	86 584	80 591
Cash and cash equivalents	208 394	67 747	177 562
<b>Non-current assets held-for-sale</b>	<b>123 822</b>		
Investment property	123 822		
<b>Total assets</b>	<b>20 198 154</b>	<b>11 457 385</b>	<b>10 808 558</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Share capital and reserves	6 070 107	6 154 138	5 484 350
<b>Non-current liabilities</b>	<b>12 116 277</b>	<b>4 826 690</b>	<b>4 909 093</b>
Debentures and debenture premium	6 359 541	2 447 895	2 558 705
Long-term loans	4 191 622	1 490 000	1 550 000
Derivative instruments	44 463	21 111	12 447
Financial guarantee for associate			953
Deferred taxation	1 520 651	867 684	786 988
<b>Current liabilities</b>	<b>2 011 770</b>	<b>476 557</b>	<b>415 115</b>
Payables	308 482	172 570	134 691
Short term loans	1 347 292		
Derivative instruments	22 931		3 015
Combined unitholders for distribution	333 065	303 987	277 409
<b>Total liabilities</b>	<b>14 128 047</b>	<b>5 303 247</b>	<b>5 324 208</b>
<b>Total equity and liabilities</b>	<b>20 198 154</b>	<b>11 457 385</b>	<b>10 808 558</b>
<b>Net asset value per combined unit (R)</b>	<b>51,12</b>	<b>51,78</b>	<b>48,42</b>
<b>Net asset value per combined unit - excluding deferred taxation liability (R)</b>	<b>57,37</b>	<b>57,01</b>	<b>53,16</b>

## ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Audited 31 Dec 2011	Audited 31 Dec 2010 Restated	Audited 31 Dec 2009 Restated
	R'000	R'000	R'000
Balance at beginning of year	6 154 138	5 484 350	4 247 182
Restatement of prior period balances			685 143
Total comprehensive (loss)/income for the period	(84 031)	669 788	552 025
<b>Balance at end of year</b>	<b>6 070 107</b>	<b>6 154 138</b>	<b>5 484 350</b>

## ABRIDGED STATEMENT OF CASH FLOWS

	Audited 31 Dec 2011	Audited 31 Dec 2010
	R'000	R'000
<b>Cash flows from operating activities</b>	<b>(47 667)</b>	<b>62 608</b>
Cash generated from operations	879 948	735 963
Interest received	31 416	7 006
Interest paid	(239 741)	(128 560)
Taxation paid	(17 983)	
Distribution to combined unitholders	(712 625)	(566 446)
Income from associate	11 318	14 645
Cash flows from investing activities	(4 420 885)	(112 423)
Cash flows from financing activities	4 609 200	(60 000)
Net increase/(decrease) in cash and cash equivalents	140 648	(109 815)
Cash and cash equivalents at the beginning of the year	67 746	177 562
<b>Cash and cash equivalents at the end of the year</b>	<b>208 394</b>	<b>67 747</b>

## COMMENTARY

### INTRODUCTION

Hyprop is South Africa's largest listed specialised shopping centre fund, with twelve directly owned shopping centres. All rental income earned by the company less property expenses and interest on debt is distributed to unitholders semi-annually. The company's primary objective is to provide sustainable income growth and capital appreciation to investors over the long term.

### FINANCIAL RESULTS

Hyprop has declared a total distribution for the year of 383 cents per combined unit, an increase of 7.3% on the previous year. The final distribution of 137 cents, together with the special distribution of 65 cents paid on 17 October 2011, reflects aggregate growth of 10.4% compared with the corresponding period in 2010.

### SEGMENTAL OVERVIEW

Business segment	31 December 2011		31 December 2010	
	Revenue R'000	Distributable earnings R'000	Revenue R'000	Distributable earnings R'000
Canal Walk	423 566	301 315	387 809	276 462
<b>Super regional</b>	<b>423 566</b>	<b>301 315</b>	<b>387 809</b>	<b>276 462</b>
Clearwater Mall*	96 654	61 562		
The Glen	178 087	112 927	163 328	103 096
Woodlands Boulevard*	59 054	40 619		
CapeGate*	57 266	36 911		
<b>Large regional</b>	<b>391 061</b>	<b>252 019</b>	<b>163 328</b>	<b>103 096</b>
Hyde Park	152 944	93 963	140 613	88 080
The Mall of Rosebank	105 823	70 222	107 414	64 995
Southcoast Mall	20 968	11 565	21 600	13 372
<b>Regional</b>	<b>279 735</b>	<b>175 750</b>	<b>269 627</b>	<b>166 447</b>
Willowbridge*	25 932	15 253		
Stoneridge	58 339	25 795	49 523	27 552
Somerset Value Mart*	6 903	4 597		
Atterbury Value Mart*	31 062	24 163		
<b>Value centres</b>	<b>122 236</b>	<b>69 808</b>	<b>49 523</b>	<b>27 552</b>
<b>Shopping centres</b>	<b>1 216 598</b>	<b>798 892</b>	<b>870 287</b>	<b>573 557</b>
<b>Offices #</b>	<b>70 569</b>	<b>45 320</b>	<b>49 857</b>	<b>28 015</b>
<b>Hotels</b>	<b>47 326</b>	<b>(5 866)</b>	<b>64 766</b>	<b>11 406</b>
<b>Investment property</b>	<b>1 334 493</b>	<b>838 346</b>	<b>984 910</b>	<b>612 978</b>
Listed property securities	132 006	132 006	119 990	119 990
Fund management expenses		(34 209)		(35 061)
Net interest (paid) / received		(208 325)		(121 554)
Share of income from associate - VPIF		9 949		15 518
Word4Word Marketing*	16 444	909		
Straight-line rental income accrual	100 214		14 148	
Non-core income		4 555		905
<b>Total revenue</b>	<b>1 583 157</b>	<b>743 231</b>	<b>1 119 048</b>	<b>592 776</b>

\* Acquired from 1 September 2011

# Includes offices acquired from Attfund Retail from 1 September 2011

The Attfund Retail portfolio has been included from 1 September 2011, being the effective date of the acquisition.

Like-for-like growth from Hyprop's shopping centres in revenue and distributable earnings was 8.0% and 7.4%, respectively. Canal Walk and The Glen performed particularly well during the year, with distributable earnings growth of 9% and 10%, respectively. Property expenses increased by 9%.

Distributable earnings from hotels reduced due to a net loss at The Grace (prior to sale) as well as underperformance at Southern Sun Hyde Park.

Distributable earnings from listed property securities increased by 10% as a result of improved distribution growth from Sycam and due to the addition of 8.9 million Sycam units, acquired in terms of the Attfund Retail acquisition.

Distributable earnings in the second half include a once-off benefit amounting to 3.7 cents resulting from a deferred payment in respect of the 15 million Attfund Retail consideration units which were re-purchased by the company.

Non-core income includes Hyprop's investment in Word4Word Marketing (Pty) Limited and fee income from Vunani Property Investment Fund ("VPIF").

Income from associate relates to distributions received from VPIF. This income reduced due to Hyprop selling 50% of its interest in VPIF concurrently with VPIF's listing on the JSE.

Notwithstanding the larger portfolio, total arrears at 31 December 2011 were R41 million, the same as the previous year-end. Total provision for doubtful debts at year-end amounted to R17.4 million (2010: R20.8 million).

### Vacancies

Total vacancies in the portfolio at 31 December 2011 were 4.1% (2010: 3.9%).

Vacancy profile by sector	% of total GLA	
	2011	2010
Retail	3.6	3.8
Office	10.0	4.7

### PAYMENT OF DEBENTURE INTEREST

Distribution 49 of 137 cents per combined unit for the four months ended 31 December 2011 will be paid to combined unitholders as follows:

	2012
Last day to trade cum distribution	Thursday, 15 March
Combined units trade ex distribution on	Friday, 16 March
Record date	Friday, 23 March
Payment of distribution	Monday, 26 March

Unitholders may not dematerialise or rematerialise their combined units between Friday, 16 March 2012 and Friday, 23 March 2012, both days inclusive.

### CHANGE IN ACCOUNTING POLICY

#### Deferred taxation

Hyprop has early adopted the amendment to IAS 12. Deferred taxation is now recognised on the revaluation of the building component of investment properties at the capital gains tax rate on the presumption that the investment will be recovered through disposal and will therefore attract capital gains tax. Hyprop has applied the amendment retrospectively as required by IAS 8.

The early adoption has had the effect of reducing the 2009 deferred taxation balance with a corresponding increase in opening 2010 reserves by R685 million. The effect on the 2010 deferred taxation balance and opening reserves was a net decrease of R752 million. The prior year adjustments are disclosed by way of a third column in the statement of financial position.

### BASIS OF PREPARATION

These results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard IAS 34 'Interim Financial Reporting', the AC 500 Standards as issued by the Accounting Standards Board, the JSE Limited Listings Requirements and the South African Companies Act, 2008.

Other than the change in accounting policy referred to above, the accounting policies applied in preparation of these results are consistent with those applied in the audited financial statements for the prior financial year.

Grant Thornton has audited the group annual financial statements. Their unqualified audit report is available for inspection at the company's registered office.

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

## PROPERTY PORTFOLIO

Business segment	Rentable area (m <sup>2</sup> )	Value attributable to Hyprop		Value per rentable area 31 December 2011 (R/m <sup>2</sup> )
		31 December 2011 R'000	31 December 2010 R'000	
Canal Walk	157 450	4 880 000	4 556 000	38 742
<b>Super regional</b>	<b>157 450</b>	<b>4 880 000</b>	<b>4 556 000</b>	<b>38 742</b>
Clearwater *	85 370	2 500 000		29 284
The Glen	74 624	1 623 365	1 535 433	28 945
Woodlands Boulevard *	69 867	1 604 000		22 958
CapeGate *	106 016	1 435 000		13 536
<b>Large regional</b>	<b>335 877</b>	<b>7 162 365</b>	<b>1 535 433</b>	<b>22 922</b>
Hyde Park	36 910	1 337 000	1 277 000	36 223
The Mall of Rosebank	35 950	923 000	918 000	25 675
Southcoast Mall	29 361	122 000	129 500	8 310
<b>Regional</b>	<b>102 221</b>	<b>2 382 000</b>	<b>2 324 500</b>	<b>24 496</b>
Willowbridge *	45 011	607 000		13 486
Stoneridge	51 293	409 500	407 700	8 871
Somerset Value Mart *	12 546	154 000		12 275
Atterbury Value Mart *				