

# unaudited results

## for the six months ended 30 June 2010

- ▶ 8,1% increase in interim distribution per combined unit
- ▶ Total return 13%
- ▶ NAV excl. deferred taxation R55,06 per combined unit up 4%
- ▶ Total assets R11 billion up 2%
- ▶ Market capitalisation R8,3 billion up 9%
- ▶ Gearing 13%

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



# HYPROP

INVESTMENTS LIMITED

### Statement of comprehensive income

	Unaudited 30 June 2010 R'000	Reviewed 30 June 2009 R'000	Audited 31 Dec 2009 R'000
Revenue	527 770	434 136	923 655
Investment property income	464 009	362 983	790 568
Straight-line rental income accrual	3 106	11 425	13 318
Listed property securities income	60 655	59 728	119 769
Property expenses	(165 578)	(114 346)	(259 380)
Net property income	362 192	319 790	664 275
Other operating expenses	(17 766)	(22 826)	(47 840)
Operating income	344 426	296 964	616 435
Net interest	(59 697)	(24 659)	(70 829)
Received	3 682	18 592	26 931
Paid	(63 379)	(43 251)	(97 760)
Net operating income	284 729	272 305	545 606
Non-core income	449	449	905
Change in fair value	311 207	(63 375)	583 733
Investment property	187 257	149 032	580 121
Straight-line rental income accrual	(3 106)	(11 425)	(13 318)
Listed property securities	120 525	(178 528)	32 391
Derivative instruments	6 531	(22 454)	(15 461)
Amortisation of debenture premium	54 547	48 249	97 696
Amortisation of financial guarantee for associate	357	357	715
Income before debenture interest	651 289	257 985	1 228 655
Debt interest	(289 037)	(267 442)	(544 851)
Net income before share of income from associate	362 252	(9 457)	683 804
Share of income from associate	7 701	5 385	20 305
Investment property income	7 715	5 630	11 566
Straight-line rental income accrual	(14)	(245)	386
Change in fair value of investment property			8 353
Profit before taxation	369 953	(4 072)	704 109
Taxation	(67 668)	(16 735)	(152 084)
Total comprehensive income for the period	302 285	(20 807)	552 025

### Abridged reconciliation – headline earnings and distributable earnings

	Unaudited 30 June 2010 R'000	Reviewed 30 June 2009 R'000	Audited 31 Dec 2009 R'000
Net income after taxation	302 285	(20 807)	552 025
Debt interest	289 037	267 442	544 851
Earnings	591 322	246 635	1 096 876
Headline earnings adjustments	(191 008)	(155 552)	(531 749)
Change in fair value of investment property (net of deferred taxation)	(136 461)	(107 303)	(434 053)
Amortisation of debenture premium	(54 547)	(48 249)	(97 696)
Headline earnings	400 314	91 083	565 127
Distributable earnings adjustments	(110 526)	175 876	(20 368)
Change in fair value of listed property securities (net of deferred taxation)	(103 652)	153 534	(27 856)
Change in the fair value of derivative instruments	(6 531)	22 454	15 461
Deferred taxation			1 481
Amortisation of financial guarantee for associate	(357)	(357)	(715)
Share of income from associate (change in fair value and straight-line rental income accrual)	14	245	(8 739)
Distributable earnings	289 788	266 959	544 759
Total combined units in issue	166 113 169	166 113 169	166 113 169
Weighted average combined units in issue	166 113 169	166 113 169	166 113 169
Earnings per combined unit	356,0	148,5	660,3
Headline earnings per combined unit	241,0	54,8	340,2
Distributable earnings per combined unit	174,5	160,7	327,9
Distribution details			
Total distribution for the year	174,00	161,00	328,00
Six months – ended 31 December			167,00
– ended 30 June	174,00	161,00	161,00

### Statement of financial position

	Unaudited 30 June 2010 R'000	Reviewed 30 June 2009 R'000	Audited 31 Dec 2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	10 914 955	9 681 125	10 550 405
Investment property	9 099 758	8 213 396	8 858 711
Building appointments and tenant installations	19 785	19 119	20 993
Investment in associate	171 021	159 671	169 499
Loan receivable	47 901	46 021	47 364
Derivative instruments	2 127		
Listed property securities	1 574 363	1 242 918	1 453 838
<b>Current assets</b>	113 682	296 984	258 153
Receivables	78 972	58 750	80 591
Cash and cash equivalents	34 710	238 234	177 562
<b>Total assets</b>	11 028 637	9 978 109	10 808 558
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves	5 101 492	4 226 374	4 799 207
<b>Liabilities</b>			
<b>Non-current liabilities</b>	5 495 990	5 368 699	5 594 236
Debentures and debenture premium	2 504 158	2 608 153	2 558 705
Long-term loans	1 451 437	1 400 000	1 550 000
Derivative instruments		22 454	12 447
Financial guarantee for associate	596	1 310	953
Deferred taxation	1 539 799	1 336 782	1 472 131
<b>Current liabilities</b>	431 155	383 036	415 115
Payables	131 061	115 594	134 691
Derivative instruments	11 057		3 015
Combined unitholders for distribution	289 037	267 442	277 409
<b>Total liabilities</b>	5 927 145	5 751 735	6 009 351
<b>Total equity and liabilities</b>	11 028 637	9 978 109	10 808 558
Net asset value per combined unit (R)	45,79	41,14	44,29
Net asset value per combined unit – excluding deferred taxation liability (R)	55,06	49,19	53,16

### Abridged statement of changes in equity

	Unaudited 30 June 2010 R'000	Reviewed 30 June 2009 R'000	Audited 31 Dec 2009 R'000
Balance at beginning of the period	4 799 207	4 247 182	4 247 182
Total comprehensive income for the period	302 285	(20 807)	552 025
<b>Balance at end of the period</b>	<b>5 101 492</b>	<b>4 226 375</b>	<b>4 799 207</b>

### Abridged statement of cash flows

	Unaudited 30 June 2010 R'000	Reviewed 30 June 2009 R'000	Audited 31 Dec 2009 R'000
<b>Cash flows from operating activities</b>	<b>11 612</b>	<b>42 440</b>	<b>53 089</b>
Cash generated from operations	342 539	304 860	624 030
Interest received	3 682	18 592	26 931
Interest paid	(63 379)	(43 251)	(97 760)
Distribution to combined unitholders	(277 409)	(262 459)	(529 901)
Income from associate	6 179	24 698	29 789
<b>Cash flows from investing activities</b>	<b>(55 901)</b>	<b>(370 296)</b>	<b>(591 617)</b>
Cash flows from financing activities	(98 563)	500 000	650 000
Net increase/(decrease) in cash and cash equivalents	(142 852)	172 144	111 472
Cash and cash equivalents at the beginning of the period	177 562	66 090	66 090
<b>Cash and cash equivalents at the end of the period</b>	<b>34 710</b>	<b>238 234</b>	<b>177 562</b>

### Financial results

Notwithstanding a difficult retail trading environment, Hyprop continued to achieve growth in distributions to unitholders for the six months ended 30 June 2010 ("the period").

Hyprop has declared an interim distribution of 174 cents per combined unit, an increase of 8,1% on the distribution for the comparable period in 2009.

Business segment	30 June 2010		30 June 2009	
	Revenue R'000	Distributable earnings R'000	Revenue R'000	Distributable earnings R'000
Canal Walk	185 786	134 795	155 032	110 126
The Glen	75 123	50 401	51 180	34 557
Hyde Park	65 518	41 800	58 706	37 591
The Mall of Rosebank	48 475	31 098	45 220	33 939
Stoneridge	23 557	10 430	23 400	12 289
Southcoast Mall	10 993	7 136	10 063	6 658
<b>Shopping centres</b>	<b>409 452</b>	<b>275 660</b>	<b>343 601</b>	<b>235 160</b>
<b>Offices</b>	<b>21 243</b>	<b>13 661</b>	<b>13 941</b>	<b>9 873</b>
<b>Hotels</b>	<b>33 314</b>	<b>9 176</b>	<b>5 441</b>	<b>3 604</b>
<b>Investment property</b>	<b>464 009</b>	<b>298 497</b>	<b>362 983</b>	<b>248 637</b>
<b>Listed property securities</b>	<b>60 655</b>	<b>60 655</b>	<b>59 728</b>	<b>59 728</b>
Straight-line rental income accrual	3 106	3 106	11 425	11 425
<b>Total</b>	<b>527 770</b>	<b>362 258</b>	<b>434 136</b>	<b>319 790</b>
Fund management expenses		(17 831)		(22 826)
Net interest (paid)/received		(59 697)		(24 659)
<b>Net operating income</b>	<b>284 730</b>	<b>272 305</b>		
Non-core income		449		449
Share of income from associate		7 715		5 630
Straight-line rental income accrual		(3 106)		(11 425)

Revenue and distributable earnings from shopping centres increased by 19% and 17%, respectively. On a like-for-like basis (excluding additional retail at The Glen and Canal Walk), revenue from shopping centres increased by 12%, while distributable earnings increased 9%. Shopping centre income was negatively affected by increased municipal rates and electricity during the period, which was not fully recoverable from tenants.

Provisions for doubtful debts were increased by 40% (R5,3 million) during the period, bringing total provisions for doubtful debts to 61% of total arrears.

Revenue and distributable earnings from offices increased due to the inclusion of Cradock Heights and Rosebank Gardens in the current period.

Income from hotels includes The Grace and Southern Sun Hyde Park.

Other operating expenses reduced by 22% (R5,1 million) primarily due to the replacement of asset management fees with lower consulting fees, both payable to Redefine Properties Limited ("Redefine").

### Property portfolio

Business segment	Rentable area (m <sup>2</sup> )	Value attributable to Hyprop		Value per rentable area June 2010 (R/m <sup>2</sup> )
		June 2010 R'000	Dec 2009 R'000	
Canal Walk	150 394	4 260 800	4 040 000	35 414
The Glen	74 583	1 439 234	1 439 234	25 676
Hyde Park	36 894	1 250 000	1 250 000	33 881
The Mall of Rosebank	37 009	911 000	905 000	24 616
Stoneridge	50 241	417 600	425 700	9 235
Southcoast Mall	29 361	146 250	140 500	9 962
<b>Shopping centres</b>	<b>378 482</b>	<b>8 424 884</b>	<b>8 200 434</b>	<b>26 840</b>
<b>Offices</b>	<b>22 221</b>	<b>308 200</b>	<b>300 500</b>	<b>13 870</b>
<b>Hotels</b>	<b>400 703</b>	<b>8 733 084</b>	<b>8 500 934</b>	<b>26 121</b>
<b>Investment property</b>	<b>400 703</b>	<b>9 024 084</b>	<b>8 788 934</b>	<b>26 847</b>
Development property		91 682*	87 743*	
Listed property securities		1 574 363	1 453 838	
Investment in associate		171 021	169 499	
<b>Total</b>	<b>400 703</b>	<b>10 861 150</b>	<b>10 500 014</b>	

\*Rosebank Gardens

### Investment Property

Old Mutual Investment Group: Property Investments (Pty) Limited updated the valuations prepared by them at year-end to determine an independent valuation of the Hyprop portfolio at 30 June 2010.

Investment property increased in value by R187 million to R9 billion, a 2,2% increase.

Vacancies at 30 June 2010 reduced to 3,9% from 4,5% at 31 December 2009. Excluding Stoneridge, which opened in September 2008, total vacancies at the end of the period were 1,3% (2009: 1,9%).

### Developments

The refurbishment of Hyde Park, at a budgeted cost of R37 million, is currently underway with completion scheduled for December 2010.

Planning for the refurbishment of and extension to The Mall of Rosebank, incorporating Rosebank Gardens, is well progressed.

### Listed Property Securities

Income from Hyprop's investment in Sycom Property Fund ("Sycom") increased by 2%. This relatively low increase was due to a downward revision of forecast Sycom income for the three months ended June 2010 as well as an under accrual of Sycom income in 2008 which boosted 2009 income.

The investment in Sycom was valued at R1,6 billion at 30 June 2010 based on the closing price on that date of R20,90 per unit, resulting in a write-up for the period of R121 million.

### Net asset value

The net asset value per combined unit ("NAV") at 30 June 2010 was R45,79, representing a 3% increase on the NAV of R44,29 at 31 December 2009.

Excluding deferred taxation, NAV at 30 June 2010 was R55,06, a premium of 10,1% to Hyprop's closing combined unit price of R49,99 on 30 June 2010.

### Borrowings

Current net borrowings of R1,4 billion equate to a gearing ratio of 13%.

Long-term loans amounting to R1,35 billion have been fixed for periods up to 2014 at an average rate of 9,57% (2009: 9,38%).

### Asset management

In accordance with the board's strategy, property asset management was fully internalised from January 2010.

Three months notice of termination of the consultancy agreement with Redefine was given in May 2010.

Any alternative arrangement relating to the provision of ongoing asset management services will be subject to Hyprop unitholder approval.

### Redefine offer

On 12 August 2010 Redefine announced that its unitholders had approved the acquisition of 19 686 558 Hyprop combined units from Coronation Asset Management (Pty) Limited ("the Coronation units").

Acquisition of the Coronation units brings Redefine's interest in Hyprop to 45,2% and in terms of Securities Regulation Panel Rules, triggered a mandatory offer to all Hyprop unitholders (excluding Redefine) at R50 per unit ("the offer").

A circular was posted to Hyprop combined unitholders on 5 August in which the board set out its views on the offer. The board has recommended that Hyprop unitholders reject the offer.

The closing date of the offer is Friday, 27 August and the results of the offer will be announced on SENS on Monday, 30 August.

### Directorate

Wolf Cesman resigned from the board with effect from 31 May 2010. The board thanks him for his contribution to Hyprop's success.

### Prospects

Savings in the second half of 2010 from the elimination of consultancy fees to Redefine are likely to be offset by increases and back charges in respect of municipal rates and electricity costs, increased provisions for doubtful debts and lower than budgeted occupancies at Southern Sun Hyde Park.

The board anticipates that, barring a change in market conditions, Hyprop's distribution for the six months ending 31 December 2010 will be between 181 cents and 185 cents per combined unit. The forecast distribution for the full year therefore remains unchanged at 355 cents to 359 cents per combined unit. This forecast has not been reviewed or reported on by Hyprop's auditors.

### Payment of debenture interest

Distribution 45 of 174 cents per combined unit for the six months ended 30 June 2010 will be paid to combined unitholders as follows:

	September 2010
Last day to trade cum distribution	Thursday, 16
Combined units trade ex distribution	Friday, 17
Record date	Thursday, 23