

# AUDITED RESULTS >>

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

Reg no 1987/005284/06 | Share code HYP | ISIN code ZAE 000003430 | "Hyprop" or "the company"

# HYPROP

INVESTMENTS LIMITED



- >> DISTRIBUTION PER COMBINED UNIT UP 7,7%
- >> HEADLINE EARNINGS PER COMBINED UNIT UP 9,7%
- >> OPERATING INCOME UP 85%
- >> ACQUIRED CANAL WALK AND THE ROSEBANK MALL

## GROUP INCOME STATEMENT

	31 Dec 2003 R000	31 Dec 2002 R000
<b>Turnover</b>	<b>316 691</b>	160 653
Operating income	195 251	105 598
Net finance charges	(43 522)	(16 418)
Interest received	1 767	498
Interest paid	(45 289)	(16 916)
Net operating income	151 729	89 180
Profit on disposal of investment properties	6 814	-
Change in fair value of financial assets	2 069	-
Change in fair value of investment properties	116 684	43 911
Income before debenture interest and taxation	277 296	133 091
Debenture interest paid	(124 364)	(83 967)
<b>Income before taxation</b>	<b>152 932</b>	49 124
Taxation	(21 160)	(6 607)
Secondary tax on companies	(31)	(21)
Deferred taxation	(21 129)	(6 586)
<b>Net income after taxation</b>	<b>131 772</b>	42 517
Minority interest	(64 149)	(17 054)
Loss from associates	(223)	(268)
<b>Net profit for the year</b>	<b>67 400</b>	25 195
<b>EARNINGS AND HEADLINE EARNINGS</b>		
Earnings per combined unit (cents)	215,4	168,7
Headline earnings per combined unit (cents)	142,4	129,8
Earnings per share (cents)	75,7	38,9
Headline earnings per share (cents)	2,7	-
<b>Reconciliation – Headline earnings</b>		
Net profit for the year	67 400	25 195
Headline earnings adjustments	(64 980)	(25 184)
Change in fair value of investment properties (net of deferred taxation)	(96 217)	(37 325)
Attributable to outside shareholders	37 687	12 141
Profit on disposal of investment properties (net of CGT)	(6 450)	-
Headline earnings – shares	2 420	11
Debenture interest paid	124 364	83 967
Headline earnings – combined units	126 784	83 978
<b>Total combined units in issue</b>	<b>89 009 179</b>	64 719 478

Note	Total distribution per combined unit (cents per unit)	Interest on debentures (cents per unit)	Dividends on ordinary shares (cents per unit)
<b>1 Distribution details</b>			
<b>Total distribution for the year ended 31 December 2003</b>	<b>140,000</b>	<b>139,720</b>	<b>0,280</b>
Distribution number 32 for the six months ended 31 December 2003	74,900	74,750	0,150
Distribution number 31 for the six months ended 30 June 2003	65,100	64,970	0,130
<b>Total distribution for the year ended 31 December 2002</b>	<b>130,000</b>	<b>129,740</b>	<b>0,260</b>
Distribution number 30 for the six months ended 31 December 2002	66,290	66,157	0,133
Distribution number 29 for the six months ended 30 June 2002	63,710	63,583	0,127

## ABRIDGED CASH FLOW STATEMENT

	31 Dec 2003 R000	31 Dec 2002 R000
<b>Cash flows from operating activities</b>	<b>(2 586)</b>	(13 801)
Cash generated from operations	167 041	103 199
Interest income	1 767	498
Finance charges	(45 288)	(16 916)
Distribution to unitholders	(100 848)	(96 024)
Cash distributed to minorities	(25 247)	(4 529)
Taxation	(11)	(29)
Cash flows from investing activities	(1 271 328)	(58 899)
Cash flows from financing activities	1 279 691	69 958
Net increase/(decrease) in cash and cash equivalents	5 777	(2 742)
Cash and cash equivalents at beginning of the year	3 246	4 732
On acquisition of business	-	1 256
<b>Cash and cash equivalents at end of the year</b>	<b>9 023</b>	3 246

## BASIS OF PREPARATION

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies used in the preparation of the financial statements are consistent with those used in the prior year ended 31 December 2002 ("the prior year").

## AUDIT OPINION

Grant Thornton has audited the financial information set out in this report and their unqualified audit report is available for inspection at the company's registered office.

## COMMENTS

### INTRODUCTION

During the year to 31 December 2003 ("the year") Hyprop made significant progress in achieving the strategic goal of acquiring superior real estate investments by expanding its regional retail portfolio whilst simultaneously disposing of non-core commercial real estate. Hyprop acquired Canal Walk Shopping Centre ("Canal Walk") in the Western Cape, The Rosebank Mall and JHI House ("The Mall") and The Grace Hotel and Offices ("The Grace") in Gauteng.

With 80% of Hyprop's assets comprising prime shopping centres, the company is well positioned to take advantage of the retail property market's growth prospects in the future.

### FINANCIAL RESULTS

Headline earnings of 142,40 cents per combined unit for the year increased by 9,7% over the prior year, exceeding market expectations. As a result of the expansion of Hyprop's property portfolio, turnover and operating income for the year increased by 97% and 85%, respectively.

Combined unitholder funds increased by 44% to R1,04 billion from the issue of 24 289 701 combined units as part settlement for The Mall acquisition, and after a revaluation surplus of R72 million.

Net asset value per combined unit increased by 4,4% to R11,69 per combined unit.

### DISTRIBUTION

The board has approved a final distribution of 74,90 cents per combined unit. The total distribution for the year of 140,00 (2002: 130,00) cents per combined unit equates to 7,7% growth over the prior year.

### ACQUISITIONS

On 31 October 2003 Hyprop acquired an 80% undivided share in Canal Walk for R928 million funded out of new term loan facilities extended by Standard Bank Properties. The acquisition is expected to achieve a yield of at least 11% in 2004.

Canal Walk, the premier Western Cape super-regional centre, will significantly enhance the quality, size and diversification of Hyprop's portfolio of premium retail and office investments.

Hyprop's acquisitions of The Mall and The Grace have been previously reported in detail.

### DISPOSALS

Hyprop disposed of eight of its smaller commercial properties to Prima Property Trust ("Prima") with effect from 1 November 2003 for an aggregate consideration of R66,5 million. The consideration was settled in part by a cash payment of R43,2 million in January 2004 and the balance by the receipt of 25 861 111 Prima units at a price of 90 cents per unit. The disposal follows Hyprop's stated strategy of selling smaller commercial properties that do not align with Hyprop's overall investment strategy.

Seven of the eight properties were transferred to Prima on 30 January 2004. Transfer of the remaining property is expected soon. The cash payment will be utilised towards reducing Hyprop's loan facilities.

## DEVELOPMENTS

### Hyde Park Shopping Centre ("Hyde Park")

During the year a Stuttafords store was completed in the premises previously utilised by the IMAX theatre.

The 1 700 m<sup>2</sup> extension to Woolworths and the construction of an adjacent two level parking garage at a cost of R30 million, is currently in progress, with the launch of the expanded Woolworths store scheduled for June 2004.

### The Glen Shopping Centre ("The Glen")

The Glen currently has 10 000 m<sup>2</sup> of unutilised retail rights. The construction of the first phase of approximately 5 000 m<sup>2</sup> of additional retail is under consideration. Hyprop's contribution of R41 million to the overall cost of R81 million is expected to yield an initial 12% return.

## BORROWINGS

At 31 December 2003 Hyprop's net borrowings amounted to R1,16 billion, equating to a 51% debt-to-open market value ratio. Interest rates have been fixed to the extent of 79% of net borrowings for periods ranging from one to three years.

## PROPERTY PORTFOLIO

The segmental spread of the property portfolio, as independently valued at 31 December 2003, is as follows:

Business segment	Rentable area (m <sup>2</sup> )	Total value (R000)	Value attributable to Hyprop (R000)
Retail:			
Canal Walk	131 320	1 188 500	950 800
Hyde Park	37 121	405 415	405 415
The Mall	33 086	271 340	271 340
The Glen	45 000	403 349	202 078
<b>Sub-total</b>	<b>246 527</b>	<b>2 268 604</b>	<b>1 829 633</b>
Commercial	92 573	432 900	432 900
<b>Total</b>	<b>339 100</b>	<b>2 701 504</b>	<b>2 262 533</b>

The valuation surplus of R72 million for the year is attributable to the strong performance of the retail portfolio, in contrast to other property segments that continued to operate under pressure.

The reduction in interest rates, rand strength and decrease in import costs in the second half of the year led to improved consumer spend that benefited the retail sector.

The shopping centres demonstrated robust trading conditions supported by growth in turnover. Hyde Park and The Glen achieved net income growth of 9% and 20%, respectively, during the year. The comparative figures are not available for Canal Walk and The Mall, which were acquired in 2003.

The demand for offices remains weak with no significant growth in market rentals and a continued slow take-up of vacant space. Further weakening of valuation yields, together with shortening of lease renewal periods, negatively impacted on the value of the commercial portfolio.

## LETTING ACTIVITIES

Letting activities for the year by rentable area were as follows:

Business segment	Activities for the twelve months ended 31 December 2003					
	Renewals		New lettings		Tenants vacated	
	(m <sup>2</sup> )	(%)	(m <sup>2</sup> )	(%)	(m <sup>2</sup> )	(%)
Retail:						
Hyde Park	1 016	0,6	3 409	1,8	2 684	1,5
The Glen	7 799	4,2	32	-	895	0,5
The Mall	3 743	2,0	1 114	0,6	1 330	0,7
<b>Sub-total</b>	<b>12 558</b>	<b>6,8</b>	<b>4 555</b>	<b>2,4</b>	<b>4 909</b>	<b>2,7</b>
Commercial	15 442	8,3	9 885	5,3	5 157	2,8
<b>Total</b>	<b>28 000</b>	<b>15,1</b>	<b>14 440</b>	<b>7,7</b>	<b>10 066</b>	<b>5,5</b>

## DISTRIBUTION PER UNIT

(cents)	
2003	140,00
2002	130,00
2001	126,36
2000	117,00
1999	107,52

## GROUP BALANCE SHEET

	31 Dec 2003 R000	31 Dec 2002 R000
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible assets	2 715 680	1 115 481
Current assets	70 336	7 898
Trade and other receivables	105 298	4 106
Financial assets	25 939	546
Cash and cash equivalents	9 023	3 246
<b>Total assets</b>	<b>2 820 978</b>	1 123 379
<b>Equity and liabilities</b>		
Equity	760 518	420 165
Share capital and reserves	328 140	260 746
Minority interest	432 378	159 419
Non-current liabilities	1 948 412	647 832
Debentures	438 815	319 067
Debenture premium	273 891	144 981
Deferred taxation	27 716	6 586
Long-term liabilities	1 207 990	177 198
Current liabilities	112 048	55 382
Trade and other payables	45 348	12 468
Taxation	32	11
Unitholders for distribution	66 668	42 903
<b>Total equity and liabilities</b>	<b>2 820 978</b>	1 123 379
<b>Net asset value per combined unit (R)</b>	<b>11,69</b>	11,20

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R000	Non-distributable reserve R000	Revaluation reserve R000	Retained income R000	Total R000
Balance at 1 January 2002	648	9 050	220 417	5 604	235 719
Net profit for the year	-	-	-	25 195	25 195
Transfer to revaluation reserve (net of deferred taxation)	-	-	25 184	(168)	(168)
Dividends	-	-	-	(184)	(184)
<b>Balance at 31 December 2002</b>	<b>648</b>	<b>9 050</b>	<b>245 601</b>	<b>5 447</b>	<b>260 746</b>
Balance at 1 January 2003	648	9 050	245 601	5 447	260 746
Issue of ordinary share capital	243	-	-	-	243
Net profit for the year	-	-	-	67 400	67 400
Transfer to revaluation reserve (net of deferred taxation)	-	-	57 283	(57 283)	-
Net transfer from non-distributable reserve	-	(282)	8 490	(8 208)	-
Dividends	-	-	-	(249)	(249)
<b>Balance at 31 December 2003</b>	<b>891</b>	<b>8 768</b>	<b>311 374</b>	<b>7 107</b>	<b>328 140</b>

## REGISTERED OFFICE

Hyde Park Shopping Centre Jan Smuts Avenue Sandton 2196 PO Box 41257 Craighall 2024

## TRANSFER SECRETARIES

Computershare Limited 9th Floor 70 Marshall Street Johannesburg PO Box 1053 Johannesburg 2000

## SPONSOR

Java Capital (Pty) Limited

## DIRECTORS

PF Kirchmann\* (Chairman) PG Prinsloo (Managing Director) MS Aitken\* J Bentel\* WE Cesman\* S Shaw-Taylor\* PJ Thurling\* M Wainer\* SV Webb\* Li Weil\* PL Whewell\*

\*Non-executive directors

## COMPANY SECRETARY

LR Cohen CA(SA)

Included under "New lettings and Tenants vacated" are the lettings to Clicks and Stuttafords and the vacating of the Imax at Hyde Park, as well as the letting to the Mugg 'n Bean restaurant at The Mall.

Vacancies by rentable area at 31 December 2003 were as follows:

Business segment	31 Dec 2003 (m <sup>2</sup> )	(%)	31 Dec 2002 (m <sup>2</sup> )	(%)
Retail:				
Hyde Park	359	0,1	61	0,1
The Glen	480	0,2	169	0,1
The Mall	620	0,2	n/a	n/a
Canal Walk	7 472	2,6	n/a	n/a
<b>Sub-total</b>	<b>8 931</b>	<b>3,1</b>	<b>230</b>	<b>0,2</b>
Commercial	11 312	3,9	12 446	8,6
<b>Total</b>	<b>20 243</b>	<b>7,0</b>	<b>12 476</b>	<b>8,8</b>

Proactive management in the commercial portfolio resulted in a high retention of tenants as well as the steady letting of offices to new tenants.

After inclusion of available store space at Canal Walk, the retail portfolio vacancies remain well within the industry norm, reflecting excellent portfolio quality, prime locations and proactive tenant mix management. Hyprop intends to canvass similar quality tenants and to further enhance the tenant mix.

## RIGHTS ISSUE

The board intends to implement a rights issue during the course of the year, the details of which will be announced at the appropriate time.

## PROSPECTS

The board is confident that Hyprop will continue to deliver further growth in distributions for the year ending 31 December 2004.

Utilising its strong capital base and active asset management, Hyprop will continue to explore strategic acquisitions that will enhance the quality of its portfolio. Where appropriate, further select disposals in the commercial portfolio will be undertaken.

## PAYMENT OF DEBENTURE INTEREST AND DIVIDEND

Combined unitholders will receive debenture interest payment number 32 of 74,75 cents per debenture and dividend payment number 32 of 0,15 cents per share for the period 1 July 2003 to 31 December 2003. The distribution amounts to 74,90 cents per combined unit.

Last date to trade cum distribution Friday 12 March 2004  
Trade combined units will be on Monday 15 March 2004  
Date ex distribution Monday 15 March 2004  
Record date Friday 19 March 2004  
Payment date Tuesday 23 March 2004

Combined unitholders may not dematerialise their combined units between Monday 15 March 2004 and Friday 19 March 2004, both days inclusive.

On behalf of the board

PF Kirchmann  
Chairman  
24 February 2004

PG Prinsloo  
Managing Director