

- ▶ Total distribution **357** cents per combined unit up **8,8%**
- ▶ Total return **32,1%**
- ▶ Gearing **12,6%**

- ▶ Total assets **R11,5 billion** up **6%**
- ▶ NAV excluding deferred taxation **R57,01** per combined unit up **7%**
- ▶ Market capitalisation **R9,5 billion** up **24%**

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")

Statement of comprehensive income

	Audited 31 Dec 2010 R'000	Audited 31 Dec 2009 R'000
Revenue	1 119 048	923 655
Investment property income	984 910	790 568
Straight-line rental income accrual	14 148	13 318
Listed property securities income	119 990	119 769
Property expenses	(371 932)	(259 380)
Net property income	747 116	664 275
Other operating expenses	(36 044)	(47 840)
Operating income	711 072	616 435
Net interest	(121 554)	(70 829)
Received	7 006	26 931
Paid	(128 560)	(97 760)
Net operating income	589 518	545 606
Non-core income	905	905
Change in fair value	586 121	583 733
Investment property	517 262	580 121
Straight-line rental income accrual	(14 148)	(13 318)
Listed property securities	75 430	32 391
Derivative instruments	7 577	(15 461)
Amortisation of debenture premium	110 810	97 696
Amortisation of financial guarantee for associate	953	715
Income before debenture interest	1 288 307	1 228 655
Debt interest	(593 024)	(544 851)
Net income before share of income from associate	695 283	683 804
Share of income from associate	55 201	20 305
Investment property income	15 518	11 566
Straight-line rental income accrual	320	386
Change in fair value of investment property	39 363	8 353
Profit before taxation	750 484	704 109
Taxation	(147 496)	(152 084)
Total comprehensive income for the year	602 988	552 025
Abridged reconciliation – headline earnings and distributable earnings		
Net income after taxation	602 988	552 025
Debt interest	593 024	544 851
Earnings	1 196 012	1 096 876
Headline earnings adjustments	(489 099)	(531 749)
Change in fair value of investment property (net of deferred taxation)	(378 289)	(434 053)
Amortisation of debenture premium	(110 810)	(97 696)
Headline earnings	706 913	565 127
Distributable earnings adjustments	(114 137)	(20 368)
Change in fair value of listed property securities (net of deferred taxation)	(64 870)	(27 856)
Change in the fair value of derivative instruments	(7 577)	15 461
Amortisation of financial guarantee for associate	(953)	(715)
Share of income from associate	(39 683)	(8 739)
Deferred taxation	(2 037)	1 481
Aitfund transaction costs	983	
Distributable earnings	592 776	544 759
Total combined units in issue	166 113 169	166 113 169
Weighted average combined units in issue	166 113 169	166 113 169
Earnings per combined unit	720,0	660,3
Headline earnings per combined unit	425,6	340,2
Distributable earnings per combined unit	356,9	327,9
Distribution details		
Total distribution for the year	357,00	328,00
Six months ended 31 December	183,00	167,00
Six months ended 30 June	174,00	161,00

Statement of financial position

	Audited 31 Dec 2010 R'000	Audited 31 Dec 2009 R'000
Assets		
Non-current assets	11 303 054	10 550 405
Investment property	9 481 454	8 858 711
Building appurtenances and tenant installations	21 237	20 993
Investment in associate	210 055	169 499
Derivative instruments	13 227	
Loan receivable	47 813	47 364
Listed property securities	1 529 268	1 453 838
Current assets	154 331	258 153
Receivables	86 584	80 591
Cash and cash equivalents	67 747	177 562
Total assets	11 457 385	10 808 558
Equity and liabilities		
Share capital and reserves	5 402 195	4 799 207
Liabilities		
Non-current liabilities	5 578 633	5 594 236
Debentures and debenture premium	2 447 895	2 558 705
Long-term loans	1 490 000	1 550 000
Derivative instruments	21 111	12 447
Financial guarantee for associate		953
Deferred taxation	1 619 627	1 472 131
Current liabilities	476 557	415 115
Payables	172 570	134 691
Derivative instruments		3 015
Combined unitholders for distribution	303 987	277 409
Total liabilities	6 055 190	6 009 351
Total equity and liabilities	11 457 385	10 808 558
Net asset value per combined unit (R)	47,26	44,29
Net asset value per combined unit – excluding deferred taxation liability (R)	57,01	53,16

Abridged statement of changes in equity

	Audited 31 Dec 2010 R'000	Audited 31 Dec 2009 R'000
Balance at beginning of the year	4 799 207	4 247 182
Total comprehensive income for the period	602 988	552 025
Balance at end of the year	5 402 195	4 799 207

Abridged statement of cash flows

	Audited 31 Dec 2010 R'000	Audited 31 Dec 2009 R'000
Cash flows from operating activities	62 608	53 089
Cash generated from operations	735 963	624 030
Interest received	7 006	26 931
Interest paid	(128 560)	(97 760)
Distribution to combined unitholders	(566 446)	(529 901)
Income from associate	14 645	29 789
Cash flows from investing activities	(112 423)	(591 617)
Cash flows from financing activities	(60 000)	650 000
Net increase/(decrease) in cash and cash equivalents	(109 815)	111 472
Cash and cash equivalents at the beginning of the year	177 562	66 090
Cash and cash equivalents at the end of the year	67 747	177 562

Financial results

Hyprop has declared a total distribution for the year of 357 cents per combined unit, an increase of 8,8% on the previous year. The final distribution of 183 cents reflects growth of 9,6% compared to the corresponding period in 2009. Total return for the year was 32,1%, comprising income return of 7,8% and capital return of 24,3%.

Segmental overview

Business segment	31 Dec 2010		31 Dec 2009	
	Revenue (R'000)	Distributable earnings (R'000)	Revenue (R'000)	Distributable earnings (R'000)
Canal Walk	387 810	276 462	339 144	244 496
The Glen	163 328	103 096	113 530	75 429
Hyde Park	140 613	88 080	121 084	79 536
The Mall of Rosebank	107 414	64 995	94 093	66 047
Stoneridge	49 523	27 552	47 767	23 174
Southcoast Mall	21 600	13 372	20 520	13 624
Shopping centres	870 288	573 557	736 138	502 306
Offices	49 858	28 014	36 101	23 668
Hotels	64 764	11 407	18 329	5 214
Investment property	984 910	612 978	790 568	531 188
Listed property securities	119 990	119 990	119 769	119 769
Straight-line rental income accrual	14 148	14 148	13 318	13 318
Total	1 119 048	747 116	923 655	664 275
Fund management expenses		(35 061)		(47 840)
Net interest (paid)/received		(121 554)		(70 829)
Net operating income		590 501		545 606
Non-core income		905		905
Share of income from associate		15 518		11 566
Straight-line rental income accrual		(14 148)		(13 318)
Total		592 776		544 759

Revenue and distributable earnings from shopping centres increased by 18% and 14%, respectively, largely as a result of increased GLA following the completion of extensions at The Glen and Canal Walk. On a like-for-like basis, revenue from shopping centres increased by 13,3%, while distributable earnings grew 8,8%.

Overall, property expenses in Hyprop's shopping centres increased by 27%, driven primarily by increases in assessment rates and electricity costs.

Excluding municipal expenses, total property expenses in the shopping centre portfolio increased by 5,4%.

Income from hotels underperformed due to pressure on the leisure market generally.

Fund management expenses reduced due to the replacement of asset management fees with consulting fees payable to Redefine Properties Limited ("Redefine"). The consulting agreement with Redefine was terminated on 31 August 2010.

Total arrears in the portfolio at 31 December 2010 were R41 million (2009: R36,8 million). Arrears at year-end include back dated assessment rates of R6,1 million, as a result of council increases in municipal values. Total provision for doubtful debts at year-end amounted to R15,7 million (2009: R13,9 million).

Property portfolio

Business segment	Rentable area (m ²)	Value attributable to Hyprop		Value per rentable area	
		Dec 2010 (R'000)	Dec 2009 (R'000)	Dec 2010 (R/m ²)	Dec 2009 (R/m ²)
Canal Walk	150 394	4 556 000	4 040 000	37 867	27 392
The Glen	74 583	1 535 433	1 439 234	27 392	34 613
Hyde Park	36 894	1 277 000	1 250 000	34 613	24 805
The Mall of Rosebank	37 009	918 000	905 000	24 805	9 016
Stoneridge	50 241	407 700	425 700	9 016	8 821
Southcoast Mall	29 361	129 500	140 500	8 821	28 125
Shopping centres	378 482	8 823 633	8 200 434	28 125	14 896
Offices	22 221	331 000	300 500	14 896	27 392
Hotels	400 703	9 154 633	8 500 934	27 392	28 068
Investment property	400 703	9 425 633	8 788 934	28 068	73 674*
Development property		73 674*	87 743*	73 674*	1 529 268
Listed property securities		1 529 268	1 453 838	1 529 268	210 055
Investment in associate		210 055	169 499	210 055	400 703
Total	400 703	11 238 630	10 500 014		

*Rosebank Gardens

Investment property was independently valued by Old Mutual Investment Group: Property Investments (Pty) Limited using the discounted cash flow method.

Investment property increased in value by R517 million, a 5,8% increase, to R9,5 billion.

Vacancies reduced to 3,9% at 31 December 2010 (2009: 4,5%). Excluding Stoneridge, which opened in September 2008, total vacancies at year-end were 1,6% (2009: 1,9%).

Developments

The R37 million refurbishment of Hyde Park was successfully completed in time for December trading. The construction of a new access road to Southern Sun Hyde Park and the northern parkade remains outstanding pending the relocation of electrical cables by City Power.

Planning for the refurbishment and extension to The Mall of Rosebank, incorporating Rosebank Gardens, is still in progress. Due to complex town planning issues and the management of various interest groups in the Rosebank node, the scheme is currently undergoing a detailed design development process, with a view to extracting maximum value.

Listed property securities

Hyprop's investment in Sycom was valued at R1,5 billion at 31 December 2010 based on the closing price on that date of R20,72 per unit.

Sycom underperformed in the year, resulting in no income growth from this investment.

Net Asset Value

The net asset value per combined unit ("NAV") at year-end was R47,26, representing a 6,7% increase on the NAV of R44,29 at 31 December 2009.

Excluding deferred taxation, the NAV at year-end was R57,01, equating to Hyprop's combined unit price at 31 December 2010 of R57,00.

Borrowings

Net borrowings at 31 December 2010 of R1,4 billion equate to a gearing ratio of 12,6%.

The average interest rate on long-term loans was 9,37% (2009: 9,48%).

R450 million of borrowings was refinanced at year-end, resulting in an increase in the average interest rate on long-term loans to 9,44% from January 2011.

Aitfund Retail

As announced on 6 December 2010, Hyprop has reached agreement with the board of Femtoworx Limited (in the process of being renamed Aitfund Retail Limited) ("Aitfund Retail") to acquire 100% of the shares in Aitfund Retail, for the purpose of acquiring Aitfund Retail's portfolio of property assets and listed property securities. Formal agreements were concluded in December 2010.

In terms of the proposed acquisition, Hyprop will acquire a large, well-managed, retail-focused portfolio which complements its existing portfolio. Following the transaction Hyprop's portfolio is set to increase to 22 properties with a gross value of approximately R18 billion, almost doubling in size but retaining its retail focus.

The acquisition will strengthen Hyprop's management team through the addition of Aitfund Retail's centre management and corporate management teams. The board in turn will benefit from the expertise and experience of Louis Norval and Louis van der Watt who, subject to the necessary combined unitholder approval, will become non-executive directors on the Hyprop board after implementation of the offer.

The acquisition remains subject to JSE, Hyprop unitholder and Competition Commission approval. A circular and revised listing particulars containing further details of the proposed transaction will be posted to Hyprop unitholders in due course.

Directorate

As previously announced, Wolf Cesman resigned from the board with effect from 31 May 2010 and Khosi Sibisi resigned effective 1 December 2010. The board thanks them for their contribution to Hyprop's success.

Effective 3 December 2010, Mike Lewin and David Rice were appointed as non-executive directors, while Lindie Engelbrecht was appointed as an independent non-executive director with effect from 14 January 2011. Lindie was also appointed to the Audit and Risk Committees, effective 1 March 2011.

CEO Mike Rodel will resign from the board on 3 March 2011. Mike has made a meaningful contribution to Hyprop during his tenure. The board thanks him and wishes him success in his future endeavours.

Pieter Prinsloo, a former Hyprop CEO with extensive retail property experience, will be appointed to the board as CEO from 1 May 2011.

Prospects

Trading conditions in the retail sector will remain difficult in 2011, despite a return to growth in the broader economy. Risks in the leisure industry, the underperformance of Sycom and the impact of increased utility charges on the overall cost of occupation for Hyprop tenants will also adversely affect earnings in the year ahead.

Management focus during 2011 will be on organic growth in the existing portfolio, the redevelopment and extension of The Mall of Rosebank and the implementation of the Aitfund Retail transaction, including the integration of the new properties and management.

Renewal of cautionary announcement

The financial effects of the Aitfund Retail acquisition are still in the process of being finalised and will be published in due course.

Unitholders are therefore advised to continue exercising caution when trading in Hyprop combined units until a further announcement is made.

Payment of debenture interest

Distribution of 46 of 183 cents per combined unit for the six months ended 31 December 2010 will be paid to combined unitholders as follows:

	2011
Last day to trade cum distribution	Thursday, 17 March
Combined units trade ex dividend on	Friday, 18 March
Record date	Friday, 25 March
Payment of distribution	Monday, 28 March

Unitholders may not dematerialise or rematerialise their combined units between Friday, 18 March 2011 and Friday, 25 March 2011, both days inclusive.

Basis of preparation and audit opinion

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard IAS34 "Interim Financial Reporting", the AC 500 standards, JSE Listings Requirements and the Companies Act, 1973, as amended. The accounting policies applied in preparation of the annual financial statements are consistent with those applied in the audited financial statements for the prior financial year.

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

On behalf of the board

MS Aitken
Chairman

MF Rodel
CEO

1 March 2011

Directors

MS Aitken* † (Chairman); MF Rodel (CEO); IR Cohen (FD); EG Dube*; KM Ellerin*; L Engelbrecht* †; MJ Lewin*; JR McAlpine* †; DH Rice*; S Shaw-Taylor*; M Wainer*; U Weil* †

(* Non-executive † Independent)

Registered office

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Transfer secretaries