

# HYPROP

INVESTMENTS LIMITED

## REVIEWED RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

Distribution per combined unit 110 cents up **21%**

Increase in value of investment property **R477 million**

Total assets **R6,8 billion**

### COMMENTS

#### FINANCIAL RESULTS

Hyprop's distribution to combined unitholders for the period under review of 110 cents exceeded that of the comparative period by 21%.

60% of distribution growth resulted from significant rental increases on lease renewals, contractual rental escalations and increases in turnover rental and the balance from reduced interest costs and savings in expenses.

Hyprop's shopping centres contributed 87% of investment property income, with 45% of investment property income derived from Canal Walk.

The growth in value of the investment property portfolio increased net asset value per combined unit by 10% to R26,45. The net asset value, assuming no deferred taxation, is R32,79 per combined unit – 13% above the closing combined unit price on 30 June 2006 of R29,00.

The increase in combined unitholder funds from R3,4 billion to R3,8 billion arose from the issue of 1 231 916 combined units and a property valuation surplus of R477 million.

#### ACQUISITIONS

##### SA Retail Properties Limited ("SA Retail")

Hyprop acquired an additional 5 782 921 linked units in SA Retail, of which 2 456 937 linked units were acquired for cash at an average cost of R10,94 per linked unit. Payment for the balance was settled by the issue of Hyprop combined units at an average price of R36,06.

##### Stoneridge Shopping Centre

In March 2006, 18ha of land situated in Greenstone Park, Modderfontein were transferred to Hyprop at a cost of R51 million. The property has 70 000 m<sup>2</sup> of retail rights.

Construction of the first phase of 52 000 m<sup>2</sup> will commence after the required percentage of leasing has been concluded and feasibility targets met. Hyprop will own 90% and Abland (Proprietary) Limited, which will develop the property on Hyprop's behalf, 10%. The anticipated cost of the new centre is R470 million.

#### DISPOSALS

##### Listed property securities

Hyprop disposed of 1 356 059 linked units in Freestone Property Holdings Limited, realising a distributable profit of R1,9 million.

#### BORROWINGS

In January 2006 Hyprop refinanced R900 million of borrowings via the capital debt market, thereby reducing the interest rate by 50 basis points. At 30 June 2006, the average interest on total borrowings of R1,17 billion was 9,5% (2005: 10,8%). Interest rates have been fixed in respect of 77% of borrowings for periods ranging from four to nine years.

Hyprop's financial position is sound with a 20% debt-to-open market value ratio. Potential borrowing capacity for future business expansion amounts to R2,1 billion.

#### VALUATION

The investment property portfolio, which was independently valued by Old Mutual Properties (Proprietary) Limited at 30 June 2006, increased in value by R477 million (9%) to R5,6 billion.

#### SEGMENTAL ANALYSIS

Business segment	Rentable area (m <sup>2</sup> )	Total value (R000)	Value attributable to Hyprop (R000)	Revenue (including minorities) (R000)	Net property income (including minorities) (R000)
Canal Walk	131 320	2 800 000	2 240 000	141 412	96 203
The Glen	51 800	887 700	667 107	46 574	35 042
Hyde Park	37 121	782 000	782 000	41 665	28 652
The Mall of Rosebank	33 774	577 000	577 000	34 722	23 444
Southcoast Mall	27 642	117 000	117 000	6 730	4 704
Stoneridge		52 694	52 694		
<b>Shopping Centres</b>	<b>281 657</b>	<b>5 216 394</b>	<b>4 435 801</b>	<b>271 103</b>	<b>188 045</b>
<b>Offices</b>	<b>69 120</b>	<b>468 155</b>	<b>468 155</b>	<b>39 574</b>	<b>27 198</b>
<b>Investment properties</b>	<b>350 777</b>	<b>5 684 549</b>	<b>4 903 956</b>	<b>310 677</b>	<b>215 243</b>
Listed property securities		<b>1 056 985</b>	<b>1 056 985</b>	<b>41 357</b>	<b>41 357</b>
Straight-line rental income accrual				13 620	13 620
Fund management expenses					(17 469)
		<b>6 741 534</b>	<b>5 960 941</b>	<b>365 654</b>	<b>252 751</b>

Canal Walk's net income increased by 12%, due to increased turnover rental and reduction in expenses. Benefiting from the successful expansion in 2005, The Glen's net income grew by 22%. Hyde Park, The Mall of Rosebank and the offices achieved steady net income growth of 8%, 13% and 9%, respectively.

#### VACANCIES

Business segment	30 June 2006		31 December 2005	
	(m <sup>2</sup> )	(%)	(m <sup>2</sup> )	(%)
Canal Walk*	3 766	3,1	3 751	3,1
The Glen	240	0,5	253	0,5
Hyde Park				
The Mall of Rosebank	299	0,9	399	1,2
Southcoast Mall	1 622	5,9	2 461	8,9
<b>Shopping Centres</b>	<b>5 927</b>	<b>2,3</b>	<b>6 864</b>	<b>2,6</b>
<b>Offices</b>	<b>2 054</b>	<b>2,3</b>	<b>2 486</b>	<b>2,8</b>
<b>Total</b>	<b>7 981</b>	<b>2,3</b>	<b>9 350</b>	<b>2,7</b>

(%) is a ratio of area available for letting to the rentable area

\* Canal Walk's vacancy is currently 2125 m<sup>2</sup> (1,7%)

#### BROAD-BASED BLACK ECONOMIC EMPOWERMENT

In a transformation initiative, Hyprop together with Vunani Properties (Proprietary) Limited ("Vunani") has established an unlisted property loan stock company Vunani Property Investment Fund (Proprietary) Limited ("VPIF"). This enterprise and skills development initiative is in line with the Property Transformation Charter and Department of Trade and Industry's BBBEE Codes of Good Practice.

Hyprop has disposed of five office buildings for R174,5 million to VPIF at an initial yield of 10,5%, effective on transfer which is expected during September 2006. VPIF has acquired other properties, including properties from Vunani, resulting in an aggregate initial asset value for VPIF of R377 million.

It is the intention that Hyprop's initial interest in VPIF of 56,1% will dilute to less than 50% through future acquisitions by VPIF.

#### PROSPECTS

Hyprop anticipates superior growth in distributions for the year ending 31 December 2006. However, the rate of distribution growth for the full year is not expected to be as high as that achieved for the six months ended 30 June 2006.

#### PAYMENT OF DEBENTURE INTEREST

Debenture interest payment number 37 of 110 cents per debenture for the period 1 January to 30 June 2006 will be paid to combined unitholders as follows:

Last day to trade cum distribution	Friday, 8 September 2006
Combined units trade ex distribution	Monday, 11 September 2006
Record date	Friday, 15 September 2006
Payment date	Monday, 18 September 2006

Unitholders may not dematerialise or rematerialise their combined units between Monday, 11 September 2006 and Friday, 15 September 2006, both days inclusive.

#### BASIS OF PREPARATION AND REVIEW OPINION

This interim report has been prepared in accordance with International Financial Reporting Standards and International Accounting Standard IAS 34 – Interim Financial Reporting. The accounting policies applied are consistent with those applied in the most recent audited financial statements.

Certain prior year adjustments were effected in the annual financial statements at 31 December 2005. The comparative figures for the six months ended 30 June 2005 have been restated accordingly.

The company's auditors, Grant Thornton, have reviewed the financial information set out in this interim report. Their review report is available for inspection at the company's registered office.

On behalf of the board

PF Kirchmann

Chairman

21 August 2006

PG Prinsloo

CEO

### GROUP INCOME STATEMENT

	Reviewed 30 June 2006 R000	Reviewed 30 June 2005 R000	Audited 31 December 2005 R000
<b>Revenue</b>	<b>365 654</b>	<b>289 343</b>	<b>635 041</b>
Investment property income	310 677	275 668	571 503
Straight-line rental income accrual	13 620	7 487	22 889
Listed property securities income	41 357	6 188	40 649
Property and other operating expenses	(112 903)	(104 576)	(213 504)
Net property income	252 751	184 767	421 537
Net interest	(53 986)	(48 310)	(105 805)
Received	797	1 789	2 104
Paid	(54 783)	(50 099)	(107 909)
Net operating income	198 765	136 457	315 732
Change in fair value	500 530	255 734	1 374 384
Investment property	476 754	249 838	1 364 974
Straight-line rental income accrual	(13 620)	(7 487)	(22 889)
Listed property securities	37 396	13 383	32 299
Profit on disposal	1 944	618	4 306
Investment property		274	212
Listed property securities	1 944	344	4 094
Amortisation of debenture premium	4 790	1 703	5 066
Income before debenture interest and taxation	706 029	394 512	1 699 488
Debenture interest	(158 806)	(105 920)	(247 342)
Net income before taxation	547 223	288 592	1 452 146
Taxation – deferred	(139 747)	(63 805)	(378 217)
Net income after taxation	407 476	224 787	1 073 929
Attributable to –			
Hyprop combined unitholders	327 317	178 074	892 497
Minorities	80 159	46 713	181 433
	407 476	224 787	1 073 929
<b>Reconciliation – headline earnings and distributable earnings</b>			
Net income after taxation – attributable to Hyprop combined unitholders	327 317	178 074	892 497
Headline earnings adjustments	(282 131)	(162 274)	(847 096)
Change in fair value of investment property (net of deferred taxation and minority interests)	(290 219)	(166 226)	(860 296)
Straight-line rental income accrual (net of deferred taxation and minority interests)	8 088	4 226	13 412
Profit on disposal of investment property		(274)	(212)
Debenture interest	158 806	105 920	247 342
Headline earnings	203 992	121 720	292 743
Distributable earnings adjustments	(44 851)	(15 813)	(46 094)
Change in fair value of listed property securities (net of deferred taxation)	(31 973)	(11 442)	(27 616)
Amortisation of debenture premium	(4 790)	(1 703)	(5 066)
Straight-line rental income accrual (net of deferred taxation and minority interests)	(8 088)	(4 226)	(13 412)
Other fair value adjustments		1 558	
Distributable earnings	159 141	105 907	246 649
Total combined units in issue	144 369 188	116 630 923	143 137 272
Weighted average combined units in issue – for earnings and headline earnings	143 768 609	116 630 923	124 287 108
Weighted average combined units in issue – for distributable earnings	144 369 188	116 630 923	129 884 098
<b>Earnings, headline earnings and distributable earnings per combined unit</b>			
Earnings per combined unit	Cents 338,1	Cents 243,5	Cents 917,1
Headline earnings per combined unit	141,9	104,4	235,5
Distributable earnings per combined unit	110,2	90,8	189,9
	Total distribution per combined unit (cents per unit)	Interest on debentures (cents per unit)	Dividends on ordinary shares (cents per unit)
<b>Distribution details</b>			
Distribution 37 for the six months ended 30 June 2006	110,00	110,00	
Total distribution for the year 31 December 2005	190,00	189,62	0,38
Distribution 36 for the six months ended 31 December 2005	99,00	98,80	0,20
Distribution 35 for the six months ended 30 June 2005	91,00	90,82	0,18

### GROUP BALANCE SHEET

	Reviewed 30 June 2006 R000	Reviewed 30 June 2005 R000	Audited 31 December 2005 R000
<b>Assets</b>	<b>6 533 232</b>	<b>4 086 580</b>	<b>6 055 938</b>
<b>Non-current assets</b>	<b>5 276 766</b>	<b>3 810 827</b>	<b>4 978 831</b>
Investment property	52 694	34 957	
Investment property under development	123 761	94 739	110 141
Straight-line rental income accrual	23 026	20 158	24 651
Building appurtenances and tenant installations	1 056 985	125 899	942 315
Listed property securities			
<b>Current assets</b>	<b>57 903</b>	<b>60 724</b>	<b>89 363</b>
Listed property securities	46 557	34 626	8 759
Receivables	11 346	10 613	56 084
Cash and cash equivalents		15 485	24 520
<b>Non-current assets classified as held for sale</b>	<b>210 354</b>		<b>34 800</b>
Investment property			
<b>Total assets</b>	<b>6 801 489</b>	<b>4 147 304</b>	<b>6 180 101</b>
<b>Equity and liabilities</b>	<b>2 663 373</b>	<b>1 455 409</b>	<b>2 282 870</b>
<b>Equity capital and reserves</b>	<b>2 016 887</b>	<b>975 155</b>	<b>1 689 558</b>
Share capital and reserves	646 486	480 254	593 312
Minority interests			
<b>Non-current liabilities</b>	<b>3 889 039</b>	<b>2 526 684</b>	<b>3 663 638</b>
Debentures and debenture premium	1 802 215	1 078 112	1 762 591
Long-term loans	1 171 941	987 811	1 125 911
Deferred taxation	914 883	460 761	775 136
<b>Current liabilities</b>	<b>249 077</b>	<b>165 211</b>	<b>233 593</b>
Payables	90 274	59 028	91 851
Taxation	158 803	106 134	36
Combined unitholders for distribution			141 706
<b>Total equity and liabilities</b>	<b>6 801 489</b>	<b>4 147 304</b>	<b>6 180 101</b>
<b>Net asset value per combined unit (R)</b>	<b>26,45</b>	<b>17,60</b>	<b>24,12</b>
<b>Net asset value per combined unit – assuming no deferred taxation liability (R)</b>	<b>32,79</b>	<b>21,56</b>	<b>29,53</b>

### ABRIDGED GROUP CASH FLOW STATEMENT

	Reviewed 30 June 2006 R000	Reviewed 30 June 2005 R000	Audited 31 December 2005 R000
Cash flows from operating activities	22 557	71 632	95 703
Cash generated from operations	248 803	231 467	444 657
Interest received	797	1 789	2 104
Interest paid	(54 783)	(50 099)	(107 909)
Distribution to Hyprop combined unitholders	(141 709)	(86 307)	(192 441)
Cash paid to minorities	(30 515)	(25 196)	(50 637)
Taxation	(36)	(22)	(71)
Cash flows from investing activities	(81 761)	(127 451)	(280 587)
Cash flows from financing activities	46 030	58 785	196 885
Net (decrease)/increase in cash and cash equivalents	(13 174)	2 966	12 001
Cash and cash equivalents at the beginning of the period	24 520	12 519	12 519
Cash and cash equivalents at the end of the period	11 346	15 485	24 520

### GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R000	Non-distributable reserve R000	Retained income R000	Minority interests R000	Total R000
Balance at 1 January 2005					
– as previously reported	1 166	996 089	4 341	479 012	1 480 608
– prior year adjustment – amortisation of debenture premium		7 545			7 545
– reclassification of distribution to minorities				2 973	2 973
– change in rate of deferred taxation		(211 846)		(27 924)	(239 770)
Balance at 1 January 2005 – restated	1 166	791 788	4 341	454 061	1 251 356
Net profit for the period*			178 075	46 713	224 788
Net transfer to non-distributable reserve		175 462	(175 462)		
Dividends			(215)		(215)
Distribution to minorities				(25 196)	(25 196)
Minority share of additions to investment property				4 676	4 676
Balance at 30 June 2005	1 166	967 250	6 739	480 254	1 455 409
Balance at 1 January 2006	1 431	1 680 210	7 917	593 312	2 282 870
Issue of ordinary share capital	12				12
Net profit for the period*			327 317	80 159	407 476
Net transfer to non-distributable reserve		324 321	(324 321)		
Distribution to minorities				(27 948)	(27 948)
Minority share of additions to investment property				963	963</