

# HYPROP

## INVESTMENTS LIMITED

("HYPROP" OR "THE COMPANY")

REG NO.: 1987/0052884/06 SHARE CODE: HYP ISIN CODE : ZAE 000003430

- DISTRIBUTION PER COMBINED UNIT **130 CENTS**
- **18.2% INCREASE IN DISTRIBUTION PER COMBINED UNIT**
- **PRE-TAX NAV R44.58 UP 36%**
- **TOTAL ASSETS R8,5 BILLION**
- **MARKET CAPITALISATION R6,3 BILLION**

## REVIEWED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

### FINANCIAL RESULTS

Hyprop's distribution of 130 cents per combined unit for the six months ended June 2007 exceeds that of the comparative period by 18.2%.

Hyprop's shopping centres contributed 11.7% to the growth in distribution, with the balance achieved mainly from interest earned as a result of the disposal of Hyprop's investment in SA Retail Properties Limited ("SA Retail").

An R800 million increase in the property revaluation surplus contributed to an 11% increase in net asset value per combined unit to R34.76. Excluding deferred taxation, the net asset value per combined unit of R44.58 is marginally higher than the closing combined unit price on the JSE of R43.85 at 30 June 2007.

### ACQUISITIONS

In line with its strategy to invest in listed property securities with a retail focus, Hyprop acquired 4 686 100 linked units in Resilient Property Income Fund Limited for cash at an average cost of R24.40 per linked unit.

### DEVELOPMENTS

**Stoneridge Shopping Centre** – The construction of a 50 000m<sup>2</sup> lifestyle centre in Greenstone Park, Modderfontein, at an estimated cost of R544 million and an anticipated initial yield of 9%, is progressing according to plan and is scheduled for completion in October 2008.

**Canal Walk Shopping Centre (80% undivided share)** – The development of a 3 500m<sup>2</sup> Mr Price Home at a cost of R32.4 million (Hyprop share – R25.6 million) and an expected initial yield of 13%, is scheduled for completion in November 2007.

The conversion of three unused cinema theatres into a 1 600m<sup>2</sup> Sportmans Warehouse at a net cost of R5.7 million (Hyprop share – R4.6 million) and an expected initial yield of 18%, is also scheduled for completion in November 2007.

Various other extensions are in planning stage, including 16 000m<sup>2</sup> additional retail, a 1 400m<sup>2</sup> expansion to Woolworths and an enlargement of the food court.

**The Glen Shopping Centre (75.15% undivided share)** – A 2 200m<sup>2</sup> extension to Edgars and additional parking was completed in March 2007 at a cost of R15.6 million (Hyprop share – R11.7 million). The initial yield is 13%.

The development of additional banking area, at a cost of R8.7 million (Hyprop share – R6.5 million), has commenced in August 2007 at an estimated initial yield of 17%.

The local authority has granted 19 000m<sup>2</sup> additional rights in respect of which planning for development has commenced.

**Southcoast Mall (50% undivided share)** – A 1 000m<sup>2</sup> extension for Boardmans, at a cost of R6 million (Hyprop share – R3 million) with an expected initial yield of 9.5%, is scheduled for completion in October 2007.

### DISPOSALS

Subsequent to 30 June 2007, the disposal of a portion of Morningview Office Park for R40.4 million was completed. Sale of the remainder of the Morningview Office Park is under negotiation.

### BORROWINGS

Following the receipt of the proceeds from the disposal of its investment in SA Retail, Hyprop's borrowings net of cash reduced from R1.1 billion at 31 December 2006 to R126 million at 30 June 2007.

Hyprop has unutilised borrowing capacity of R3.4 billion for future investment.

### VALUATIONS

	Value			Value attributable to Hyprop (R000)	Value per rentable area (R/m <sup>2</sup> )
	Rentable area (m <sup>2</sup> )	Jun 2007 (R000)	Dec 2006 (R000)		
Canal Walk	132 316	3 800 000	3 250 000	3 040 000	28 719
The Glen	54 100	1 180 000	1 117 000	886 770	21 811
Hyde Park	37 102	1 000 000	920 000	1 000 000	26 953
The Mall of Rosebank	33 774	765 000	700 000	765 000	22 651
Southcoast Mall	27 642	280 700	274 000	140 350	10 155
Shopping Centres	284 934	7 025 700	6 261 000	5 832 120	24 657
Offices	38 885	402 502	343 360	402 502	10 351
<b>Investment property</b>	<b>323 819</b>	<b>7 428 202</b>	<b>6 604 360</b>	<b>6 234 622</b>	<b>22 939</b>
Development property - Stoneridge		124 947	57 832	124 947	
Listed property securities		116 684	1 135 019	116 684	
Investment in associate		140 913	142 620	140 913	
	<b>323 819</b>	<b>7 810 746</b>	<b>7 939 831</b>	<b>6 617 166</b>	

Old Mutual Property Group (Proprietary) Limited updated their independent valuation at 31 December 2006 to revalue each investment property at 30 June 2007. Investment property increased in value by R800 million or 13% to R7.4 billion. Development property has been valued at cost.

### SEGMENTAL ANALYSIS

	Six months to 30 June 2007			Six months to 30 June 2006
	Gross revenue (including minorities) (R000)	Net income (including minorities) (R000)	Net income (Hyprop share) (R000)	Net income (Hyprop share) (R000)
Canal Walk	151 131	108 563	87 945	76 962
The Glen	52 216	38 727	29 472	26 334
Hyde Park	45 841	31 006	31 006	28 652
The Mall of Rosebank	37 199	24 961	24 961	23 444
Southcoast Mall	7 711	5 317	5 317	4 704
Shopping Centres	294 098	208 574	178 701	160 096
Offices	27 944	19 537	19 537	27 198
<b>Investment property</b>	<b>322 042</b>	<b>228 111</b>	<b>198 238</b>	<b>187 294</b>
Listed property securities	838	838	838	41 357
Investment in associate		5 331	5 331	228 651
	322 880	234 280	204 407	228 651
Straight-line rental income accrual	3 507	3 507	2 344	11 392
Fund management expenses		(19 168)	(19 168)	(17 469)
	<b>326 387</b>	<b>218 619</b>	<b>187 583</b>	<b>222 574</b>

Increases in contractual rental and parking income as well as improved expense control contributed to an 11.7% growth in shopping centre net income. Net income for offices reduced as a result of the disposal of five office buildings to Hyprop's BEE initiative, Vunani Property Investment Fund (Proprietary) Limited, in October 2006. The expense to revenue ratio is 21%.

### VACANCIES

	30 June 2007		31 December 2006	
	m <sup>2</sup>	% of rentable area	m <sup>2</sup>	% of rentable area
Canal Walk	837	0,7	1 305	1,0
The Mall of Rosebank			297	0,9
Southcoast Mall	848	3,0	1 560	5,6
Shopping Centres	1 685	0,6	3 162	1,1
Offices	36	0,1	277	0,6
	<b>1 721</b>	<b>0,5</b>	<b>3 439</b>	<b>1,1</b>

The Glen, Hyde Park and The Mall of Rosebank were fully let at 30 June 2007.

### DIRECTORATE

As indicated in the previous Annual Report, Peter Kirchmann has retired as chairman and director. Peter Thurling has resigned as alternate director.

Michael Aitken, who has extensive property experience and has been a director of Hyprop for seven years, has been appointed independent chairman.

These changes to the board were effective 20 August 2007.

### PROSPECTS

The board anticipates that Hyprop's distribution per combined unit for the year ending 31 December 2007 will increase by between 14% and 17% as compared with the distribution for the year ended 31 December 2006. This is marginally higher than the 12% to 15% forecast on 1 March 2007.

This forecast has not been reviewed or reported on by Hyprop's auditors.

### DISTRIBUTION

Distribution number 39 of 130 cents per combined unit for the six months to 30 June 2007 will be paid to combined unitholders as follows:

	<b>2007</b>
Last day to trade <i>cum</i> distribution	Friday, 7 Sept
Combined units trade <i>ex</i> distribution	Monday, 10 Sept
Record date	Friday, 14 Sept
Payment date	Monday, 17 Sept

Unitholders may not dematerialise or rematerialise their combined units between Monday, 10 September 2007 and Friday, 14 September 2007, 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.

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.

PG PRINSLOO

CEO

21 AUGUST 2007

### GROUP INCOME STATEMENT

	Reviewed 30 June 2007 R000	Reviewed 30 June 2006 R000	Audited 31 Dec 2006 R000
<b>Revenue</b>	<b>326 387</b>	<b>365 654</b>	<b>738 381</b>
Investment property income	322 042	310 677	630 285
Straight-line rental income accrual	3 507	13 620	26 235
Listed property securities income	838	41 357	81 861
Property expenses	(93 931)	(97 316)	(199 119)
Net property income	232 456	268 338	539 262
Other operating expenses	(19 168)	(15 587)	(29 120)
Operating income	213 288	252 751	510 142
Net interest	4 207	(53 986)	(106 499)
Received	52 279	797	2 143
Paid	(48 072)	(54 783)	(108 642)
Net operating income	217 495	198 765	403 643
Change in fair value	800 992	500 530	1 548 261
Investment property	799 957	476 754	1 458 212
Straight-line rental income accrual	(3 507)	(13 620)	(26 235)
Listed property securities	4 542	37 396	116 284
(Loss) / profit on disposal	(657)	1 944	2 675
Investment property	(657)		731
Listed property securities		1 944	1 944
Amortisation of debenture premium	20 066	4 790	35 248
Income before debenture interest	1 037 896	706 029	1 989 827
Debenture interest	(187 680)	(158 806)	(324 831)
Net income before share of income from associate	850 216	547 223	1 664 996
Share of income from associate	5 331		37 452
Net income before taxation	855 547	547 223	1 702 448
Taxation	(214 591)	(139 747)	(429 344)
Net income after taxation	640 956	407 476	1 273 104
Attributable to –			
Hyprop combined unitholders	521 884	327 317	1 055 321
Minorities	119 072	80 159	217 783
	<b>640 956</b>	<b>407 476</b>	<b>1 273 104</b>

### Reconciliation – headline earnings and distributable earnings

	Reviewed 30 June 2007 R000	Reviewed 30 June 2006 R000	Audited 31 Dec 2006 R000
<b>Net income after taxation – attributable to Hyprop combined unitholders</b>	<b>521 884</b>	<b>327 317</b>	<b>1 055 321</b>
Headline earnings adjustments	(300 533)	(123 325)	(547 981)
Change in fair value of investment property (net of deferred taxation and minority interests)	(490 534)	(290 219)	(885 135)
Straight-line rental income accrual (net of deferred taxation and minority interests)	1 664	8 088	13 054 (731)
Profit on disposal of investment property			
Loss on disposal of listed property securities	657		
Debenture interest	187 680	158 806	324 831
<b>Headline earnings</b>	<b>221 351</b>	<b>203 992</b>	<b>507 340</b>
Distributable earnings adjustments	(33 762)	(44 851)	(183 241)
Change in fair value of listed property securities (net of deferred taxation)	(3 883)	(31 973)	(99 423)
Deferred taxation adjustments	(8 149)		
Amortisation of debenture premium	(20 066)	(4 790)	(35 248)
Straight-line rental income accrual (net of deferred taxation and minority interests)	(1 664)	(8 088)	(13 054) (35 516)
Share of income from associate			
<b>Distributable earnings</b>	<b>187 589</b>	<b>159 141</b>	<b>324 099</b>

### GROUP BALANCE SHEET

	Reviewed 30 June 2007 R000	Reviewed 30 June 2006 R000	Audited 31 Dec 2006 R000
<b>Assets</b>			
<b>Non-current assets</b>	<b>7 631 245</b>	<b>6 533 232</b>	<b>7 766 336</b>
Investment property	7 353 714	5 453 221	6 467 537
Building appurtenances and tenant installations	19 934	23 026	21 160
Investment in associate	140 913		142 620
Listed property securities	116 684	1 056 985	1 135 019
<b>Current assets</b>	<b>829 093</b>	<b>57 903</b>	<b>86 166</b>
Receivables	38 721	46 557	58 110
Cash and cash equivalents	790 372	11 346	28 056
<b>Non-current assets held-for-sale</b>	<b>40 402</b>	<b>210 354</b>	<b>38 060</b>
Investment property			
<b>Total assets</b>	<b>8 500 740</b>	<b>6 801 489</b>	<b>7 890 562</b>
<b>Equity and liabilities</b>			
<b>Equity capital and reserves</b>	<b>4 118 683</b>	<b>2 663 373</b>	<b>3 504 948</b>
Share capital and reserves	3 266 776	2 016 887	2 744 892
Minority interests	851 907	646 486	760 056
<b>Non-current liabilities</b>	<b>4 092 059</b>	<b>3 889 039</b>	<b>4 119 534</b>
Debentures and debenture premium	1 751 692	1 802 215	1 771 757
Long-term loans	916 005	1 171 941	1 135 748
Financial guarantee for associate	6 677		7 548
Deferred taxation	1 417 685	914 883	1 204 481
<b>Current liabilities</b>	<b>289 998</b>	<b>249 077</b>	<b>266 080</b>
Payables	100 930	90 274	100 055
Taxation	1 388		
Combined unitholders for distribution	187 680	158 803	166 025
<b>Total equity and liabilities</b>	<b>8 500 740</b>	<b>6 801 489</b>	<b>7 890 562</b>
<b>Net asset value per combined unit ( R )</b>	<b>34,76</b>	<b>26,45</b>	<b>31,29</b>
<b>Net asset value per combined unit excluding deferred taxation liability ( R )</b>	<b>44,58</b>	<b>32,79</b>	<b>39,63</b>

### GROUP INCOME STATEMENT (continued)

	Reviewed 30 June 2007 R000	Reviewed 30 June 2006 R000	Audited 31 Dec 2006 R000
Total combined units in issue	144 369 188	144 369 188	144 369 188
Weighted average combined units in issue – for earnings and headline earnings	144 369 188	143 768 609	144 074 873
Earnings per combined unit	491,5	338,1	957,9
Headline earnings per combined unit	153,3	141,9	352,1
Distributable earnings per combined unit	129,9	110,2	224,5
<b>Distribution</b>			
Distribution 39 – six months ended 30 June 2007	130,00		
<b>Total distribution – twelve months ended 31 December 2006</b>	<b>225,00</b>		
Distribution 38 – six months ended 31 December 2006	115,00		
Distribution 37 – six months ended 30 June 2006	110,00		

### GROUP STATEMENT OF CHANGES IN EQUITY

Group	Share capital R000	Non-distributable reserve R000	Retained income R000	Minority interests R000	Total R000
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 income 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