

# HYPROP

INVESTMENTS LIMITED

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")

- \* 15.4% increase in distribution per combined unit
- \* Distribution per combined unit 150 cents
- \* Pre-tax NAV per combined unit R45.73
- \* R1.16 billion development and expansion programme

## reviewed interim results for the six months ended 30 June 2008

### commentary

#### FINANCIAL RESULTS

Hyprop's shopping centres achieved a 14.2% increase in earnings despite a weakened economic and trading environment. This increase is as a result of rental growth, expense control and successful expansions. Net income from investment property increased 14.4% on a like-for-like basis. Earnings were further enhanced by Hyprop's investment in Sycom Property Fund ("Sycom").

The distribution of 150 cents per combined unit for the six months ended June 2008 exceeds that of the comparable period by 15.4%.

A reduction in the fair value of the investment in Sycom reduced net asset value (NAV) per combined unit by 5% to R37.96 from R39.96 at 31 December 2007.

#### SEGMENTAL ANALYSIS

Business segment	30 June 2008			30 June 2007
	Revenue (R000)	Net operating income (R000)	Distributable earnings (R000)	Distributable earnings (R000)
Canal Walk	141 047	100 108	100 108	86 636
The Glen	42 904	32 086	32 086	29 012
Hyde Park	50 685	34 570	34 570	31 115
The Mall of Rosebank	42 295	29 334	29 334	25 195
Southcoast Mall	8 948	6 359	6 359	5 317
<b>Shopping centres</b>	<b>285 879</b>	<b>202 457</b>	<b>202 457</b>	<b>177 275</b>
<b>Offices</b>	<b>25 464</b>	<b>17 302</b>	<b>17 302</b>	<b>19 194</b>
<b>Investment property</b>	<b>311 343</b>	<b>219 759</b>	<b>219 759</b>	<b>196 469</b>
Listed property securities	49 766	49 766	49 766	838
Straightline rental income accrual	6 714	6 714		
<b>Fund management expenses</b>	<b>367 823</b>	<b>276 239</b>	<b>269 525</b>	<b>197 307</b>
Net interest (paid)/received	(20 268)	(20 268)	(19 168)	3 038
Non-core income	(3 791)	(3 791)	1 136	1 081
Share of income from associate			3 862	5 331
	<b>367 823</b>	<b>252 180</b>	<b>250 464</b>	<b>187 589</b>

#### INVESTMENT PROPERTY PORTFOLIO

##### Valuations

The valuation of Hyprop's property portfolio by Old Mutual Properties (Proprietary) Limited at 30 June 2008 reflected a marginal increase in value compared to the valuation at 31 December 2007. Accordingly the board has not brought the increase in value to account.

##### Performance

Hyprop continues to benefit from strong demand for retail space at its shopping centres. New leases totaling 26 000m<sup>2</sup> at an average rental growth of 16% and contractual annual escalations of 9.75% were concluded during the period.

Total vacancies at 30 June 2008 of 1.2% (2007: 0.75%) increased mainly as a result of office vacancies at Canal Walk.

Hyprop's retail portfolio is almost fully let with vacancies of 0.71% at 30 June 2008.

##### Disposals

In accordance with Hyprop's strategy to dispose of non-core assets, the transfers of Morningview and Athal Ridge Office Parks, held-for-sale at 31 December 2007, were registered in April and June 2008, respectively. The proceeds of R198 million will partially fund Hyprop's development and expansion programme.

##### Developments

To date, Hyprop has incurred R457 million of its R1.16 billion development and expansion programme.

Stoneridge Centre, a R571 million lifestyle centre of 50 000m<sup>2</sup> in Greenstone Park, Modderfontein, will open on 24 September 2008.

Other major projects include retail extensions to The Glen Shopping Centre and Canal Walk of 19 000m<sup>2</sup> and 16 000m<sup>2</sup>, respectively, as well as a 132 room four-star Southern Sun hotel at Hyde Park Shopping Centre, all of which are planned for completion in 2009.

#### INVESTMENT IN SYCOM

During the period Hyprop acquired an additional 10 361 695 Sycom units for cash. At 30 June 2008, Hyprop's 37% interest in Sycom, comprising 75 328 391 Sycom units, was valued at R1 billion.

#### NET BORROWINGS

Long-term loans of R900 million have been fixed for periods of between two and seven years at an average rate of 9.54% (2007: 9.54%).

Cash on deposit at 30 June 2008 of R404 million will be utilised for the interim distribution and the balance for Hyprop's development and expansion programme.

Current net borrowings of R496 million equate to a gearing ratio of 6%.

#### PROSPECTS

The board remains confident that Hyprop's prime retail focus will continue to contribute to positive distribution growth, notwithstanding current pressures on general consumer spend.

While the current expansion programme will affect growth in earnings in the short term, the overall enhancement to the property portfolio will benefit growth and distributions in the medium to long term.

The board anticipates that, barring unforeseen changes in market conditions, Hyprop's distribution for the six months ending 31 December 2008 will be between 152 cents and 158 cents per combined unit. This forecast has not been reviewed or reported on by Hyprop's auditors.

#### PAYMENT OF DEBENTURE INTEREST

Distribution of 41 of 150 cents per combined unit for the six months ended 30 June 2008 will be paid to combined unitholders as follows:

	September 2008
Last date to trade cum distribution	Friday 12
Date combined units will trade ex distribution	Monday 15
Record date	Friday 19
Payment date	Monday 22

Unitholders may not dematerialise or rematerialise their combined units between Monday, 15 September 2008 and Friday, 19 September 2008, both days inclusive.

#### BASIS OF PREPARATION

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.

Previously Hyprop's interests in Canal Walk and The Glen were consolidated in accordance with IAS 27 'Consolidated and separate financial statements' on the basis that the co-ownership agreements afforded Hyprop control of the financial and operating policies of these shopping centres.

In terms of the co-ownership agreements which govern Canal Walk and The Glen, material capital expenditure requires mutual consent of the co-owners. In view of the recent significant increases in

### financial results

#### GROUP INCOME STATEMENT

	Reviewed 30 June 2008 R000	Pro-forma unaudited 30 June 2007 R000	Reviewed 30 June 2007 R000	Audited 31 Dec 2007 R000
<b>Revenue</b>	<b>367 823</b>	<b>282 022</b>	<b>326 387</b>	<b>715 866</b>
Investment property income	311 343	278 840	322 042	670 943
Straightline rental income accrual	6 714	2 344	3 507	18 915
Listed property securities income	49 766	838	838	26 008
Property expenses	(91 584)	(82 373)	(93 931)	(202 945)
Net property income	276 239	199 649	232 456	512 921
Other operating expenses	(20 268)	(19 168)	(19 168)	(39 651)
Operating income	255 971	180 481	213 288	473 270
Net interest	(3 791)	3 038	3 126	3 875
Received	25 688	51 110	51 198	85 573
Paid	(29 479)	(48 072)	(48 072)	(81 698)
Net operating income	252 180	183 519	216 414	477 145
Non-core income	1 136	1 081	1 081	2 196
Change in fair value	(479 063)	681 010	800 992	1 624 286
Investment property		678 812	799 957	1 589 475
Straightline rental income accrual	(6 714)	(2 344)	(3 507)	(18 915)
Listed property securities	(472 349)	4 542	4 542	53 726
Profit/(loss) on disposal	9 131	(657)	(657)	25 624
Investment property	9 131			2 235
Listed property securities		(657)	(657)	23 389
Amortisation of debenture premium	42 053	20 066	20 066	43 088
Amortisation of financial guarantee for associate	871			1 742
(Loss)/income before debenture interest	(173 692)	885 019	1 037 896	2 174 081
Debiture interest	(249 170)	(187 680)	(187 680)	(405 018)
Net (loss)/income before share of income from associate	(422 862)	697 339	850 216	1 769 063
Share of income from associate	3 370	5 331	5 331	66 755
Investment property income	3 862	5 331	5 331	9 070
Fair value adjustment and straight-line rental income accrual	(492)			57 685
Net (loss)/income before taxation	(419 492)	702 670	855 547	1 835 818
Taxation	129 620	(180 786)	(214 591)	(451 946)
Net (loss)/income after taxation	(289 872)	521 884	640 956	1 383 872
Attributable to -				
Hyprop combined unitholders	(289 872)	521 884	521 884	1 150 200
Minorities			119 072	233 672
	(289 872)	521 884	640 956	1 383 872

#### Reconciliation - headline earnings and distributable earnings

	Reviewed 30 June 2008 R000	Pro-forma unaudited 30 June 2007 R000	Reviewed 30 June 2007 R000	Audited 31 Dec 2007 R000
<b>Net (loss)/income after taxation - attributable to Hyprop combined unitholders</b>	<b>(289 872)</b>	<b>521 884</b>	<b>521 884</b>	<b>1 150 200</b>
Headline earnings adjustments	244 873	(301 190)	(301 190)	(566 670)
Change in fair value of investment property (net of deferred taxation and minority interests)		(490 534)	(490 534)	(980 585)
Straightline rental income accrual (net of deferred taxation and minority interests)	4 834	1 664	1 664	11 132
Profit on disposal of investment property	(9 131)			(2 235)
Debiture interest	249 170	187 680	187 680	405 018
Headline (loss)/earnings	(44 999)	220 694	220 694	583 530
Distributable earnings adjustments	295 463	(33 105)	(33 105)	(179 437)
Change in fair value of listed property securities (net of deferred taxation)	406 220	(3 883)	(3 883)	(45 936)
(Loss)/profit on disposal of listed property securities	(63 491)	657	657	(23 389)
Deferred taxation	(42 053)	(8 149)	(8 149)	3 535
Amortisation of debenture premium		(20 066)	(20 066)	(43 088)
Amortisation of financial guarantee for associate	(871)			(1 742)
Straightline rental income accrual (net of deferred taxation and minority interests)	(4 834)	1 664	1 664	(11 132)
Share of income from associate	492			(57 685)
Distributable earnings	250 464	187 589	187 589	404 093
Total combined units in issue	166 113 169	144 369 188	144 369 188	166 113 169
Weighted average combined units in issue	166 113 169	144 369 188	144 369 188	149 805 183
(Loss)/earnings per combined unit	(24,5)	491,5	491,5	1 038,2
Headline (loss)/earnings per combined unit	(27,1)	152,9	152,9	389,5
Distributable earnings per combined unit	150,8	129,9	129,9	269,7
<b>Distribution details</b>				
<b>Total distribution for the year ended 31 December</b>				<b>270,00</b>
Distribution for the six months ended 31 December				140,00
Distribution for the six months ended 30 June	150,00	130,00	130,00	130,00

development costs, most of the capital expenditure now being undertaken is material and accordingly these centres are no longer considered to be controlled solely by Hyprop.

Hyprop's interests in Canal Walk and The Glen have therefore been proportionately consolidated and reflect Hyprop's share of assets, liabilities, income and expenditure.

In order to facilitate comparison, pro-forma figures for the comparable period on the basis of proportionate consolidation have also been presented.

#### REVIEW OPINION

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

#### On behalf of the board

MS Aitken Chairman PG Prinsloo CEO  
20 August 2008

#### GROUP BALANCE SHEET

	Reviewed 30 June 2008 R000	Pro-forma unaudited 30 June 2007 R000	Reviewed 30 June 2007 R000	Audited 31 Dec 2007 R000
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>8 374 706</b>	<b>6 577 783</b>	<b>7 631 245</b>	<b>9 637 870</b>
Investment property	7 153 112	6 301 484	7 353 714	8 126 411
Building appurtenances and tenant installations	20 932	18 702	19 934	24 334
Investment in associate	198 794	140 913	140 913	198 186
Listed property securities	1 001 868	116 684	116 684	1 288 939
<b>Current assets</b>	<b>457 119</b>	<b>817 012</b>	<b>829 093</b>	<b>655 961</b>
Short term investments	53 152	30 169	38 721	500 000
Receivables	403 967	786 843	790 372	67 639
Cash and cash equivalents				88 322
<b>Non-current assets held-for-sale</b>		<b>40 402</b>	<b>40 402</b>	<b>188 390</b>
Investment property				
<b>Total assets</b>	<b>8 831 825</b>	<b>7 435 197</b>	<b>8 500 740</b>	<b>10 482 221</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity capital and reserves</b>	<b>3 605 437</b>	<b>3 266 776</b>	<b>4 118 683</b>	<b>4 832 041</b>
Share capital and reserves	3 605 437	3 266 776	3 266 776	3 895 309
Minority interests		851 907		936 732
<b>Non-current liabilities</b>	<b>4 895 818</b>	<b>3 890 136</b>	<b>4 092 059</b>	<b>5 304 127</b>
Debentures and debenture premium	2 699 840	1 751 692	1 751 692	2 741 893
Long-term loans	900 000	916 005	916 005	900 000
Financial guarantee for associate	4 936	6 677	6 677	5 806
Deferred taxation	1 291 042	1 215 762	1 417 685	1 656 428
<b>Current liabilities</b>	<b>330 570</b>	<b>278 285</b>	<b>289 998</b>	<b>346 053</b>
Payables	81 400	89 217	100 930	113 495
Taxation		1 388	1 388	
Combined unitholders for distribution	249 170	187 680	187 680	232 558
<b>Total equity and liabilities</b>	<b>8 831 825</b>	<b>7 435 197</b>	<b>8 500 740</b>	<b>10 482 221</b>
Net asset value per combined unit (R)	37,96	34,76	34,76	39,96
Net asset value per combined unit - excluding deferred taxation liability (R)	45,73	43,18	44,58	49,93

#### ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Reviewed 30 June 2008 R000	Pro-forma unaudited 30 June 2007 R000	Reviewed 30 June 2007 R000	Audited 31 Dec 2007 R000
<b>Balance at beginning of period</b>	<b>4 832 041</b>	<b>3 504 948</b>	<b>3 504 948</b>	<b>3 504 948</b>
De-consolidation of minority interests	(936 732)	(760 056)		
Issue of shares				217
Net income for the period	(289 872)	521 884	640 956	1 383 872
Attributable to minorities			(27 221)	(56 996)
<b>Balance at end of period</b>	<b>3 605 437</b>	<b>3 266 776</b>	<b>4 118 683</b>	<b>4 832 041</b>

#### ABRIDGED GROUP CASH FLOW STATEMENT

	Reviewed 30 June 2008 R000	Pro-forma unaudited 30 June 2007 R000	Reviewed 30 June 2007 R000	Audited 31 Dec 2007 R000
<b>Cash flows from operating activities</b>	<b>3 290</b>	<b>39 319</b>	<b>43 555</b>	<b>87 414</b>
Cash generated from operations	239 639	201 225	232 594	467 830
Interest received	25 688	52 191	52 279	85 573
Interest paid	(29 479)	(48 072)	(48 072)	(81 698)
Distribution to Hyprop combined unitholders	(232 558)	(166 025)	(166 025)	(338 484)
Distribution to minorities			(27 221)	(56 996)
Income from associate				11 189
<b>Cash flows from investing activities</b>	<b>317 314</b>	<b>943 023</b>	<b>938 503</b>	<b>208 600</b>
<b>Cash flows from financing activities</b>	<b>(219 742)</b>	<b>(219 742)</b>	<b>(219 742)</b>	<b>(235 748)</b>
<b>Net increase in cash and cash equivalents</b>	<b>320 604</b>	<b>762 600</b>	<b>762 316</b>	<b>60 266</b>
Cash and cash equivalents at the beginning of the period	88 322	28 056	28 056	28 056
De-consolidation of minority interest in cash and cash equivalents	(4 959)	(3 813)		
<b>Cash and cash equivalents at the end of the period</b>	<b>403 967</b>	<b>786 843</b>	<b>790 372</b>	<b>88 322</b>

DIRECTORS: MS Aitken\* † (Chairman); PG Prinsloo (CEO); LR Cohen (FD); WE Cesman\* (alt JA Finn); EG Dube\*; JR McAlpine\* †; LI Weil\*; S Shaw-Taylor\*; MY Sibisi\* †; M Wainer\* (alt MN Flax) (\* Non-executive † Independent)

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TRANSFER SECRETARIES: Computershare Investor Services (Proprietary) Limited  
Ground Floor 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2107)

ASSET MANAGER: Madison Property Fund Managers Limited

COMPANY SECRETARY: Probity Business Services (Proprietary) Limited

SPONSOR: Java Capital (Proprietary) Limited

INVESTOR RELATIONS: Envisage Investor & Corporate Relations