

Allan Gray Property Trust
Annual Report
2005

ALLAN GRAY
PROPERTY TRUST

Contents

Profile, Investment Policy and Financial Highlights	1
Directorate and Administration	2
Manager's Report	3
Salient Features	11
Property Portfolio	13
Allan Gray Property Trust	16
Allan Gray Property Trust Management Limited	30
Directors' Report	36
Approval of the Annual Financial Statements	37
Certificate by Company Secretary	37
Report of the Independent Auditors	38
Report of the Trustee	39
Unitholders' Diary	39

Profile, Investment Policy and Financial Highlights

Profile

Allan Gray Property Trust (the "Trust") is a property unit trust established in 1983 in terms of the Unit Trusts Control Act, 1981, subsequently, in March 2003, replaced by the Collective Investment Schemes Control Act, 2002. The Trust is a closed-end fund and is obliged to distribute all net income earned to its unitholders. As a result of its distribution obligations, the Trust is not taxed on its income. The Registrar of Collective Investment Schemes regulates the Trust insofar as its compliance with the Collective Investment Schemes Control Act is concerned and the JSE Securities Exchange South Africa (JSE) regulates its trading regulations.

The Trust's portfolio of investments in retail, commercial and industrial properties, at 30 September 2005, was capitalised on the JSE at R5.0 billion.

Objective

The Trust is managed by Allan Gray Property Trust Management Limited (the "Manager") whose investment policy is to create wealth for the Trust's unitholders by consistently generating a total rate of return in excess of inflation. This is to be achieved by optimising net rental growth and thereby maximising the appreciation in the value of the underlying properties in the portfolio.

Financial highlights

	2005	2004
Distributions		
Cents per unit	35.0	32.2
Growth	8.7%	4.2%
Average vacancy factor (based on lettable space)	6%	6%
Property portfolio valuations (Rm)	4 372	3 133
Funding capacity (Rm)		
Maximum borrowings in terms of trust deed	1 312	940
Approved facility	640	640
Unutilised facility after capital commitments	300	369
Allan Gray Property Trust units (cents per unit)		
Net asset value	418	298
Listed market price at year-end	502	345
Increase on previous year	45.5%	26.4%
Premium to net asset value	20.1%	15.8%
FTSE/JSE Property Trust Index at year-end	308.5	213.9
Increase on previous year	44.2%	19.6%

Directorate and Administration

Directors of Allan Gray Property Trust Management Limited

W J C Mitchell BCom (Chairman)

Director of Allan Gray Limited. Thirty-five years experience in investment management, the last 18 of which have been with Allan Gray Limited.

J D Rainier BCom LLB (Managing Director)

Twenty-four years experience in property management, the last 16 of which have been with Allan Gray Limited.

D M Nurek

Western Cape Regional Chairman of the Investec Group and non-executive director of numerous listed companies. Formerly Chairman of attorneys, Sonnenberg Hoffman and Galombik. Extensive experience as legal adviser in property-related matters.

G W Fury LLB MA CFA (Alternate Director to W J C Mitchell)

Chief Operating Officer of Allan Gray Limited.

W T Fairhead CA (SA) #

Director of Companies.

W M Kirchmann RQS, MAQS #

Managing Director of Northprop (Pty) Ltd. Forty-six years experience in property.

S P McCoy BCom CA (SA) #

Nine years experience in property management with Allan Gray Limited.

E Osrin

A businessman with extensive property experience and non-executive director of numerous listed companies.

S Shaw-Taylor CA (SA)

Managing Director of Standard Bank Properties. Twenty years' experience in property.

audit committee

Asset Managers to Manager

Allan Gray Limited
Granger Bay Court
Beach Road
V&A Waterfront
Cape Town
8001

Administrators

Broll Property Group (Proprietary) Limited
2nd Floor, Broll House
27 Fricker Road
Illovo 2196
Johannesburg

Transfer Secretaries

Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg
2001

Trustees

ABSA Bank Limited
2nd Floor, Block E
Flora Office Park
Cnr. Ontdekkers and Conrad Roads
Florida
1709

Auditors

KPMG Inc.

Bankers

The Standard Bank of South Africa Limited

Sponsor

The Standard Bank of South Africa Limited

JSE code

GRY

ISIN

ZAE000013165

Website

www.allangray.co.za

E-mail

info@allangray.co.za

Allan Gray Property Trust
Manager's Report

The South African property market

The South African economy continues to perform well on the back of good consumer demand and strong commodity prices. In terms of trade, South African exports in US dollar terms have increased at above 20 percent this year, whereas imports have grown even faster. Manufacturing volumes have also been robust. Meanwhile, although strong, retail sales are growing at a slower rate due to the higher base. Overall, business confidence remains positive.

The environment of falling interest rates has been maintained with long bond rates declining from 9.0 percent a year ago to 8.1 percent as at the end of September 2005. Once again this has contributed significantly to the increase in the value of property as measured by capitalisation rates.

Rode's Report (2005:4) shows the following percentage increases resulting from a change in capitalisation rates compared to a year ago:

Grade-A multi-offices	Prime industrial parks	Regional shopping centres
Sandton CBD 15	Central Witwatersrand 6	Witwatersrand 13
Brooklyn/		
Waterkloof 2	East Rand 8	Pretoria 10
La Lucia Ridge 16	Cape Peninsula 16	Durban 3
Tyger Valley 10	Durban Metro 11	Cape Town 12
	Pretoria Metro 8	

If one adds the running yield to these price increases, the total return for the year from property has been most rewarding in real terms once again.

Vacancy rates in the office market have continued to decline, with Rode reporting a net take up of 5 percent of the available stock in the year to July. This positive trend is also evident in the industrial market.

The change in the quantum of non-residential buildings to June 2005 as reported by Rode is as follows (m²):

	Offices	Shopping	Industrial
12 months to June 2005			
(% change on a year earlier)			
Completed	45.3	13.5	57.3
Passed	36.1	35.8	16.9
6 months to June 2005			
(% change on a year earlier)			
Completed	0.6	6.4	32.2
Passed	42.1	46.9	32.3

Please note that not all buildings for which plans are passed are built.

The table indicates that building completions have risen at a slower pace in the past six months. This should bring a measure of stability to the property market and bodes well for existing landlords. In addition, building cost inflation as measured by the BER building cost index is currently running at over 17 percent which makes it economically difficult to justify new developments without steeply increasing nominal rentals. Our expectations are for these sizable increases in building costs to continue due to supply bottlenecks.

Turning to the retail market, sales in July grew 3.2 percent in real terms over the previous year and the buoyant retail market looks set to continue into 2006. This remains positive for our portfolio which is focused on this sector.

Key other market rentals in the Rode Report are*:

Prime decentralised grade-A office rentals	Prime industrial rentals (500 m ²)
Sandton CBD 3.6	Central Witwatersrand 14.6
Brooklyn/Waterkloof -1.6	East Rand 15.2
La Lucia Ridge 0.6	Cape Peninsula 14.9
Tyger Valley 4.7	Durban Metro 25.7
	Pretoria Metro 30.1

*Annual percentage change to September in nominal terms.

The above table indicates that the effective decline in real rentals that the office market has experienced over the past few years appears to be slowing. The seven year decline in the industrial market now seems to be over. While this will eventually stimulate development, the immediate outlook for these sectors is positive.

Mean escalations in rentals remain in the 9 to 10 percent per annum range for the above sectors.

Initiatives during 2005

We continued with our programme of selling buildings that have inferior prospects. On the other hand, the redevelopment of certain properties continued. Details can be found in the "Property portfolio" section set out on page 4.

The Trust was included in the MSCI South Africa Index with effect from 1 June 2005. This has led to a 2 percent holding in its units at year-end by international investors.

Performance and financial results

Our purpose is to create long-term wealth for our unitholders. Over the last five years to September 2005 total return per annum generated by the Trust compared with inflation has been as follows:

Allan Gray Property Trust

Manager's Report

	2001	2002	2003	2004	2005	5-year compound % pa
The Trust	39.3	1.3	36.9	39.9	57.1	33.5
Inflation	4.4	11.2	3.7	1.3	4.4	4.9
Real return	34.9	-9.9	33.2	38.6	52.7	28.6

(Source: I-Net Bridge)

Total distributions for the year to 30 September 2005 were R348.6 million, equivalent to 35.0 cents per unit (2004: 32.2 cents). The total distribution comprised an interim distribution of 17.4 cents (2003: 15.6 cents) and a final distribution of 17.6 cents (2003: 16.6 cents) to be paid on 28 November 2005.

Vacancy levels

Vacancy levels in terms of rentable area at 30 September were as follows (percent):

Sector	2005	2004
Retail	5	5
Offices	9	11
Industrial	9	5
Other	0	0
Total	6	6

By area, vacancies were 7 percent at half-year. By value, the vacancies equated to 5 percent of potential rental income, an improvement on the 6 percent as at half-year.

In the retail sector 79 percent of the vacancies were contained in the following two properties:

- The Brightwater Commons, where the redevelopment is underway to transform the centre into a family-friendly venue with increased traditional retail shopping and significantly reduced reliance on restaurants and bars.
- The Boulders Shopping Centre, where the vacancies are concentrated in the lower level and plans are advanced to reconfigure this space.

In the office sector, significant vacancies by area and value remain at Grayston Ridge and Summit Park. During the past year 11 561 m² of new leases were signed up in the portfolio and 10 578 m² of leases were renewed, a total of 19 percent of the rentable area of the portfolio. The leases were concluded at a cost of 9 percent of the gross value, R45 million.

In the industrial sector, 20 percent of the vacancy is at Degussa in Midrand, vacated in July, and a further 8 percent due to a recent vacation in Strijdom Park which has been relet. During the past year 28 394 m² of new leases were signed by the portfolio and 69 682 m² of leases were renewed, a total of 40 percent of the

rentable area of the portfolio. The leases were concluded at a cost of 2 percent of the gross value, R59 million.

Property portfolio

During the year, the following changes were made to the portfolio:

Sales

Property	Net price (Rm)	2004 valuation (Rm)
25 Owl Street	36.5	28.1
4 Stan Road	6.5	5.1
51 Juta Street	5.3	3.6
Rudo House	4.5	2.1
Sapphire Place	2.9	1.6
Eaststar Place	2.2	1.8
Shukran House	1.4	1.0
Delta Place	1.0	0.9
Hazra Industrial Park	0.8	0.6
	61.1	44.8

Capital projects

Significant capital projects and planned projects are:

N1 City Mall (58% share)

Work continues on a R110 million refurbishment of and extension to the N1 City Mall. The project includes the refurbishment of the existing mall, the construction of an additional 8 500 m² and 250 additional parking bays, and is planned for completion in March 2006. The project is expected to generate an initial return of 10.2 percent.

The Boulders Shopping Centre

Plans to reconfigure the largely vacant lower level and introduce fashion and homeware are well advanced. The project is expected to cost R35 million, but timing is dependent on Council approval.

The Brightwater Commons

The redevelopment to transform the centre into a family-friendly venue with increased traditional retail shopping and significantly reduced reliance on restaurants and bars continues. However, the progress has been slower than anticipated with the final phase not yet attracting the targeted tenants. This has necessitated a re-evaluation of that part of the project. The property is budgeted to earn R10 million for the new year and is independently valued at R121 million.

Douglas Roberts Centre

As negotiations are under way for the tenant to purchase the building, the refurbishment of the office tower and construction of the parking garage are currently on hold.

Valuation

The composition of the Trust's portfolio, as valued by independent valuer, Rode & Associates CC, is as follows:

Sector	Value (Rm)	Cents/ unit	Forward EY (%)	% of portfolio	
				2005	2004
Retail	3 310	332	8.9	76	72
Office blocks	450	45	12.3	10	13
Industrial	414	42	11.4	9	10
Other	198	20	10.2	5	5
Total property	4 372	439	9.5	100	100
Long-term borrowings	(229)	(23)			
Net current assets	19	2			
	4 162	418			

The net asset value per unit is 40.3 percent higher than that of last year, as a result of improved valuations. The market rating of the property portfolio in terms of the anticipated forward earnings yield has improved from 12.2 percent last year to 9.5 percent.

The portfolio is concentrated significantly in 14 properties making up 80 percent of the portfolio by value (last year 16 and 75 percent respectively). These properties are discussed below.

Retail portfolio

This portfolio consists of 384 683 m² of rentable area, of which 5 percent is vacant, the same as last year. It is instructive to note that all our dominant regional centres serve the growing middle-income market and are thus well positioned, we believe, to benefit from the strength and increasing importance of this market segment.

The major components of this portfolio by value are (details for 100 percent of property):

- Centurion Mall (a 75 percent undivided share) totalling 92 609 m² with 81 537 m² of retail space and 11 072 m² of offices, including the Munpen office building adjoining the Mall. It is budgeted to contribute 19 percent of property earnings in the new financial year. The major tenants are Pick 'n Pay, Woolworths, Edgars, Game, Dischem, Jet, Hi Fi Corporation and Furniture City. Further alterations are being investigated to incorporate the Munpen building into the node and add extra parking. Many management services are being provided to the adjoining property occupied by Checkers Hyper to provide shoppers with a common shopping experience in the greater 105 000 m² node. Negotiations with the local authority to acquire or gain control of further surrounding parking areas to improve control and circulation in the greater node are at an advanced stage. Sales growth for the year to 30 September was 80 percent (17 percent last year), which due to the extensions is

not comparable with last year. Given, however, that the retail area was expanded by 57 percent, this is very satisfactory and shows the desired effect of increasing the target market for the centre was achieved.

- Westgate Shopping Centre (a 41 percent undivided share) with 106 263 m² of retail space. It is budgeted to contribute 10 percent of property earnings in the new financial year. The major tenants are Checkers Hyper, Woolworths, Edgars, Dion, Game, Stuttafords, Toys R Us, Ster Kinekor, Hi Fi Corporation and all the national fashion chains. During the year a number of changes were made to the tenancies to better cater for the changing demographics and shopper patterns being experienced. These included the subdivision of Stuttafords and the introduction of Pep, Pick 'n Pay Clothing and a larger Ackermans. Both the Shoprite and the Checkers Hyper stores are currently undergoing substantial modernisation. In addition, non-income producing aesthetic and functional alterations are nearing completion at a cost of R30 million. Sales growth for the year to 30 September was 2 percent (11 percent last year) and was adversely affected by the building work.
- Blue Route Mall with 47 379 m² of retail space. It is budgeted to contribute 9 percent of property earnings in the new financial year. The major tenants are Checkers Hyper, Woolworths, Mr Price, Boardmans, Edgars and all the major national fashion chains. We continue to investigate ways to expand the space occupied by existing tenants and to introduce national tenants which require to be in the centre and which cannot be accommodated. This includes the acquisition of 10 000 m² of extra bulk. Sales growth for the year to 30 September was 8 percent (14 percent last year).
- Kenilworth Centre with 42 991 m² of retail space. It is budgeted to contribute 7 percent of property earnings in the new financial year. The major tenants are Pick 'n Pay, Woolworths, Edgars, Virgin Active and Shoprite. Sales growth for the year to 30 September was 5 percent (4 percent last year).
- N1 City Mall (a 58 percent undivided share) with 54 016 m² of retail space. It is budgeted to contribute 7 percent of property earnings in the new financial year. This family centre is anchored by Checkers Hyper, Pick 'n Pay, Woolworths and Edgars. A tenant-driven refurbishment and extension programme at a cost of R110 million has commenced and is scheduled for completion in March 2006. It is anticipated that it will give an incremental return of approximately 10 percent. This also will provide for an extra 250 parking bays to meet the growing demand for parking. Tenants which will be occupying space in the extensions include Truworths, Foschini, Identity, Markham and @Home. Sales growth for the year to 30 September was 3 percent (15 percent last year).

Manager's Report

- The Boulders with a total of 48 022 m² of space, split into 40 943 m² of mall space, a medical centre and offices of 4 779 m² and a filling station on 2 300 m². It is budgeted to contribute 6 percent of property earnings in the new financial year. The major tenants are Pick 'n Pay, Game and Edgars with all the other national chains having representation. While it is currently 17 percent vacant, this is predominantly on the lower level, which was planned as an entertainment node but which has not worked, and in the medical centre. Plans are advanced to reconfigure the lower level into a fashion and homeware node, let to national tenants, with much improved circulation and accessibility. The process has been delayed by the necessary planning approvals and it is now anticipated that the work could commence early in 2006. In addition, the medical centre (currently 48 percent vacant) is being reconfigured as a furniture node, with commitment from national retailers.
- Bryanston Shopping Centre with 11 531 m² of retail space. It is budgeted to contribute 2 percent of property earnings in the new financial year. Major tenants in this neighbourhood centre are Checkers and a Woolworths Foodstore. Preliminary investigations remain underway to provide certain national tenants with the expansion they require.
- Benmore Gardens with 18 231 m² of retail and associated office space. It is budgeted to contribute 2 percent of property earnings in the new financial year. Pick 'n Pay anchors this neighbourhood centre, which offers free parking and numerous service tenants. Approval has finally been granted by the local authority for the submission of a site development plan as a prelude to commencing work for extensive alterations to the centre to improve the retail mix, parking and circulation as well as a new store for Pick 'n Pay. The delays have had the effect of adding significantly to the costs and the optimum design is being reassessed. Due to the nature of the project, it could take two years to complete which will have an impact on the earnings generated by the centre during that period.
- Southgate Mall and Value Market (16 and 19 percent undivided shares respectively) with 69 029 m² and 19 200 m² respectively. They are budgeted to contribute 3 percent of property earnings in the new financial year. The major tenants are Pick 'n Pay, Woolworths, Checkers, Edgars, Jet, Ster Kinekor, Virgin Active, Dion and Sportsman's Warehouse. Southgate is well positioned

to take advantage of the growing new middle class in South Africa. Sales growth for the year to 30 September was 32 percent (30 percent last year).

- The Brightwater Commons with 31 058 m² of space. It is budgeted to contribute 2 percent of property earnings in the new financial year. A significant refocusing of the property is under way to reduce the reliance on entertainment through an emphasis on family shopping and activities. It is pleasing that initial indications are that a high proportion of the shoppers visiting the centre are doing so as families. The "flea market" has been relocated in the centre of the property. The final phase which was to have been converted into a fashion and homeware node anchored by Woolworths and other national tenants has not met, disappointingly, with the required support from the targeted tenants. Alternative tenants are now being sought for this node, but this has caused a further delay in final completion, which places a strain on the existing tenants in the meantime.

For more comprehensive details of this portfolio see page 13.

Commercial and industrial portfolio

The total area of the commercial and industrial portfolio is 359 376 m² with average vacancy levels of 9 percent (7 percent last year). Of this, the office portfolio is 117 180 m² with an average vacancy of 9 percent (11 percent last year), and the industrial portfolio is 242 196 m² with an average vacancy of 9 percent (5 percent last year).

The largest buildings by value are:

- Mifa Industrial Park which is a 34 002 m² industrial park in Midrand, comprising 10 buildings and flexible premises varying between 780 m² and 4 000 m² with offices and ample parking. It is budgeted to contribute 2 percent of property earnings in the new financial year. The complex is currently 10 percent vacant (19 percent last year), with leases for a further 5 percent concluded.
- Strijdom Industrial Park in Strijdom Park, Randburg, which is a 25 114 m² complex consisting of 45 units, is budgeted to contribute 2 percent of property earnings in the new financial year. The park is 7 percent vacant, compared with no vacancy at the end of last year, due to the vacation of a single tenant at the end of August. The space has however been relet with effect from 1 November.

Buildings with material vacancies or the threat of materially increased vacancies are:

	Rentable area (m²)	Vacant area (%)	Monthly loss (R000)
Offices			
Actual			
Grayston Ridge	10 023	21	127
Summit Park	2 873	76	127
271 Oak Avenue	3 517	56	63
Lakeside Place	3 314	36	54
			371
Potential*			
Grayston Ridge	10 023	12	74
Dunkeld	5 478	12	51
			125
Industrial			
Actual			
Degussa	4 519	100	170
Supreme Industrial Park	31 328	20	129
MIFA Industrial Park	34 002	10	85
			384
Potential*			
Nashua	7 541	100	286
			286
			1 166

* Potential is where tenants have indicated that they will not renew their leases.

For more comprehensive details of this portfolio see pages 13 to 15.

Specialised portfolio

The specialised portfolio comprises two properties:

- Bedford Gardens Private Hospital. The lease with Life Healthcare Group has a further 17 years to run with 11 percent per annum escalations. It is budgeted to contribute 2 percent of property earnings in the new financial year.
- Johannesburg Airport Holiday Inn. The lease over this property has a further 6 years to run and escalates at an inflation-linked rate, with a 10-year option to renew. It is budgeted to contribute 2 percent of property earnings in the new financial year.

For more comprehensive details of this portfolio see page 15.

Exposure to major tenants

Exposure to major tenants is as follows (proportionate share where appropriate):

Company	Number	%Total Grayprop area	%Total Grayprop rent
Edcon	33	3.9%	4.2%
Foschini	59	1.5%	3.2%
The Government of SA	4	4.6%	2.8%
Shoprite	5	4.8%	2.6%
Standard Bank	21	1.3%	2.5%
Pick 'n Pay	10	5.3%	2.4%
Mr Price	33	1.3%	2.3%
Woolworths	8	3.1%	2.1%
Life Healthcare Group	2	1.8%	2.0%
Southern Sun	1	1.8%	1.8%
ABSA	19	0.6%	1.6%
Ackermans	14	1.0%	1.5%
New Clicks	19	1.1%	1.2%
Masstores	3	1.6%	1.1%
Truworths	13	0.7%	1.1%
Nedbank	16	0.4%	1.0%
First National Bank	15	0.5%	0.9%
Total		35.3%	34.3%

Cash funds

Capital commitments at year-end were R121.1 million. These will be funded by the sale of properties or from the approved loan facility at Standard Bank. After the capital commitments the fund has a facility available of R299.7 million.

Units in issue

At year-end the number of units in issue was 996 043 081 (2004: 996 043 081).

Trading statement

The Board anticipates that distributions per unit for the year ending 30 September 2006 will increase between 10 percent and 12 percent compared with the year ended 30 September 2005. This forecast has not been reviewed or reported on by Allan Gray Property Trust's auditors.

Fees

The service fee payable by the Trust to the Manager for the year was 0.5 percent per annum of the enterprise value of the fund, that is total market capitalisation plus the aggregate amount of borrowings, calculated monthly on the average daily closing prices. The amount paid was R22.51 million (2004: R15.77 million).

Allan Gray Property Trust

Manager's Report

The Trust paid the following fees and commissions (excluding VAT) during 2005:

To Broll Property Group for:

(R000)	2005	2004
Administration fees	17 610	14 128
Letting fees	3 845	4 743
	21 455	18 871

To the Marriott Group for:

(R000)	2005	2004
Administration fees	3 787	3 439
Letting fees	719	404
	4 506	3 843

To JHI Real Estate for:

(R000)	2005	2004
Administration fees	564	981
Letting fees	230	167
	794	1 148

To McWilliam Murray Realty for:

(R000)	2005	2004
Administration fees	621	579
Letting fees	49	219
	670	798

To Sasol Pension Fund for:

(R000)	2005	2004
Administration fees	–	4
Letting fees	–	–
	–	4

Asset management fees of R16.882 million (2004: R11.829 million) and administration fees of R0.852 million (2004: R0.798 million) were paid by the Manager to Allan Gray Limited and Broll Property Group respectively.

Unitholder spread

According to the Trust's transfer secretaries, the unitholder spread of the Trust is as follows:

Type of unitholder	Number of unitholders	% of securities held
Public	6 289	99.95
Non-public	4	0.05

The non-public unitholders are three Directors whose interests are disclosed below, and the Manager whose holding is disclosed in note 2 to the Annual Financial Statements of the Company.

To the best of the Directors' knowledge and belief, only Old Mutual Life Assurance Company SA Ltd who holds 5.9 percent, is registered as being beneficially interested in 5 percent or more of the capital of the Trust. As far as can be ascertained, the following groupings hold significant stakes:

Grouping	Holding
Allan Gray clients	>10%
Old Mutual	<10%
Investec Asset Management	<10%
Stanlib	<10%
Marriott Asset Managers	<10%
Rand Merchant Bank	<10%
Motor Industries Funds	<10%

Directors' interests in Allan Gray Property Trust:

	Beneficial holding	Movement
W J C Mitchell	0	0
J D Rainier	120 000	0
W T Fairhead	0	0
G W Fury	0	0
W M Kirchmann	64 295	0
S P McCoy	0	0
D M Nurek	0	0
E Osrin	25 000	0
S Shaw-Taylor	0	0

No Directors have any non-beneficial holdings in the Trust.

Corporate governance

The Directors endorse the Code of Corporate Practices and Conduct as set out in the 2002 report. By supporting the Code, the Directors recognise their responsibility to conduct the affairs of the Company with integrity and accountability in accordance with generally accepted corporate practices and recognise that they are ultimately accountable and responsible for the performance and affairs of the Company.

As the Trust is not a legal entity and the Manager manages its affairs in terms of the Collective Investment Schemes Control Act, many of the requirements of the Code are not directly applicable. Neither the Trust nor the Manager have employees or an administrative infrastructure of their own, having contracted out these functions to third parties.

Neither the Trust nor the Manager has a share incentive scheme, as there are no employees.

Board of Directors

The Board of Directors consists of eight member Directors and one alternate Director.

In terms of the Collective Investment Schemes Control Act, the Registrar of Collective Investment Schemes strictly controls the shareholding in the statutory management company. As such its current beneficial shareholders are Allan Gray Limited (76 percent) and The Standard Bank of South Africa Limited (24 percent) and it is thus their nominees who are Directors and each Director has one vote. The roles of Chairman and Chief Executive are separated. Mr Mitchell is the Chairman of the Company and Mr Rainier is the Managing Director. Mr Rainier and Mr McCoy are the only executive Directors. Messrs Mitchell and Fury, as salaried employees of the holding company, are not independent non-executive Directors nor is Mr Shaw-Taylor as a salaried employee of the other shareholder, which in addition has significant business relationships with the Trust. Messrs Fairhead, Kirchmann, Nurek and Osrin are independent non-executive Directors. It is the policy of the Company to invite any significant unitholders to be represented on the Board, should they so desire. To date no such request has been received.

The Board meets at least quarterly and retains full and effective control over the Trust. Through a structured approach to reporting and accountability, the Board monitors the activities and performance of management. The Board has responsibility for the Company's overall strategy, acquisitions and divestment policy, approval of development projects and significant matters relating to finance and corporate governance. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable regulations are adhered to. They also have access, at the Company's cost, to independent professional advisors, should they so require.

During the year under review, four meetings were held and Directors who did not attend all the meetings were: Messrs Shaw-Taylor, Kirchmann and Nurek (1 each) and Mr Fury (2).

The Company has established a formal policy to regulate private account dealings in the Trust's units. The Managing Director (alternate Chairman) is the compliance officer from whom authority is required for any dealings outside closed periods. This is applicable to all Directors as well as employees of its asset manager who are involved in the management of the Trust as well as those employees of the contracted third-party managers. The Company enforces a closed period when no private account dealings are permitted from two months prior to year-end or half-year, as the case may be, until such time as the results are published.

The Company has established an audit committee, which has met four times during the year. It comprises Messrs Fairhead (as Chairman) and Kirchmann, both independent non-executive Directors, and the Managing Director who resigned from the audit committee and was replaced by Mr McCoy on 3 August 2005. All the members excepting Mr Kirchmann (1 absence) attended all four meetings. All are financially literate. It is not considered necessary to have the interim published results audited. The audit committee has adopted formal terms of reference and during the year satisfied its responsibilities in compliance with these terms. The mandate of the audit committee is to assist the Board of Directors with discharging its responsibility to safeguard the Company's and Allan Gray Property Trust's assets, maintain adequate accounting records and standards, to review the effectiveness of systems of internal control, and as such to assist the Board in meeting its statutory and regulatory responsibilities as well as the corporate governance and reporting responsibilities. The Company and the Trust have access to the internal audit functions of their contracted third-party managers.

The external audit firm performs limited non-audit services for the Company or the Trust.

Risk management is the responsibility of the Board. The Trust's main assets are its properties. Risk is considered to fall into five categories in these circumstances: 1) the risk that the properties are destroyed while not covered by insurance is monitored by the audit committee; 2) the risk that the title deeds for its properties are not in the possession of the Trust is controlled by the Trustee and monitored by the audit committee; 3) the risk of the physical deterioration of the properties is monitored by the Trustee and reported to the audit committee; 4) the risk of investment deterioration of the properties is considered on an annual basis by the Board as part of its annual investment review and 5) the risk of theft or fraud by the contracted third-party managers is subject to their own internal audit and internal controls and is reviewed from time to time and reported on to the audit committee.

The following departures from the Code should be noted:

- As the Company has no employees, having contracted out the asset management of the portfolio, the management of the properties and all other aspects of its functions, it has neither worker participation nor affirmative action programmes nor any other employee-targeted programmes. For the same reason it has not formed a remuneration committee. However, it does encourage and support such practices within its contracted third-party managers.

Manager's Report

Directors' responsibility

The Directors of the Company are responsible for the preparation of the financial statements that fairly present the state of affairs and the results of the Trust, in conformity with South African Statements of Generally Accepted Accounting Practice. The Trust's external auditors are responsible for independently auditing and reporting on these financial statements in conformity with International Standards on Auditing. In preparing the financial statements set out in this report, the Directors have used appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates, and have complied with all applicable accounting statements. We draw attention to the fact that there has been a change in interpretation of the accounting treatment of lease income, which resulted in the restatement of prior year figures.

The financial statements have been prepared on the going concern basis since the Directors have every reason to believe that the Trust has adequate resources in place to continue in operation for the foreseeable future. The Directors are of the opinion that adequate accounting records are maintained and that no major deficiencies exist in the system of internal controls, which are subject to ongoing review. The external auditors concur with the above statements by the Directors.



W J C Mitchell

Chairman



J D Rainier

Managing Director

Allan Gray Property Trust Management Limited

2 November 2005

Salient Features

Financial summary

(R000)	12 Months 2005	12 Months 2004	12 Months 2003	12 Months 2002	12 Months 2001	12 Months 2000	12 Months 1999
Net contractual property income	373 612	330 564	278 957	303 303	174 228	160 575	146 603
Interest received	20 035	30 407	45 823	25 587	15 183	17 360	29 432
Interest paid	(20 758)	(22 913)	(31 444)	(30 176)	–	–	–
	372 889	338 058	293 336	298 714	189 411	177 935	176 035
Trust audit fees, service charges and taxes	(24 242)	(17 332)	(15 296)	(12 941)	(8 039)	(6 257)	(5 349)
	348 647	320 726	278 040	285 773	181 372	171 678	170 686
Transfer from/(to) maintenance reserve	–	–	9 597	–	3 144	(1 618)	(5 922)
Income distributions	348 647	320 726	287 637	285 773	184 516	170 060	164 764
Distribution per unit (cents)	35.00	32.20	30.90	30.70	30.70	28.90	28.00
Weighted average number of units in issue during the period (000)	996 043	996 043	930 858	930 858	600 747	588 442	588 442
Growth in distribution (%)	8.7	4.2	0.7	–	6.2	3.2	8.9

Sectoral spread

	Contractual rent				Market value			
	2005		2004		2005		2004	
	(R000)	%	(R000)	%	(R000)	%	(R000)	%
Retail	347 125	68	298 154	66	3 310 052	76	2 256 723	72
Offices	81 383	15	78 549	17	450 107	10	409 138	13
Industrial	60 084	11	58 847	13	414 168	9	304 856	10
Specialised	18 861	6	18 020	4	197 404	5	162 782	5
	507 453	100	453 570	100	4 371 731	100	3 133 499	100

Geographic spread

	Contractual rent				Market value			
	2005		2004		2005		2004	
	(R000)	%	(R000)	%	(R000)	%	(R000)	%
Greater Johannesburg	303 603	60	282 107	63	2 384 476	55	1 754 377	56
Cape Town	113 437	22	105 293	23	1 021 168	23	712 624	23
Pretoria	75 993	15	53 695	11	878 159	20	604 855	19
Durban	14 420	3	12 475	3	87 928	2	61 643	2
	507 453	100	453 570	100	4 371 731	100	3 133 499	100

Salient Features

Analysis of lease expires and reviews as a percentage of rentable area

	Total %	Vacant %	2006 %	2007 %	2008 %	2009 %	2010 %	>2010 %
Retail	100	5	18	12	12	12	22	19
Offices	100	9	25	36	20	7	2	1
Industrial	100	9	50	20	12	3	6	–
Specialised	100	–	–	–	–	–	–	100
Overall	100	6	28	18	13	8	13	14

Analysis of lease expires and reviews as a percentage of contractual rental

	Total %	2006 %	2007 %	2008 %	2009 %	2010 %	>2010 %
Retail	100	20	17	17	17	16	13
Offices	100	34	33	22	9	2	–
Industrial	100	52	24	14	2	8	–
Specialised	100	–	–	–	–	–	100
Overall	100	24	19	17	14	13	13

Summary of stock exchange prices

2004/2005	Highest cents	Lowest cents	Last transaction cents	Volumes traded (000)
October	369	345	350	41 622
November	399	350	394	27 520
December	412	378	412	37 188
January	440	380	406	24 416
February	440	400	435	18 268
March	460	400	421	20 437
April	460	418	428	47 476
May	465	428	464	42 277
June	465	436	461	41 966
July	480	447	479	21 588
August	510	465	487	22 203
September	510	475	502	24 674

Allan Gray Property Trust
Property Portfolio

Name of property	Location	Rentable area (m ²)	Market value (000)	% of portfolio	Cents/unit
RETAIL					
Gauteng					
Centurion Mall (75 percent)	Heuvel Avenue, Centurion	69 457	838 355	19.2	
Westgate Shopping Centre (41.32 percent)	Ontdekkers Road, Roodepoort	43 908	555 760	12.7	
The Boulders Shopping Centre	Old Pretoria Road, Midrand	48 022	272 033	6.2	
Bryanston Shopping Centre	Hobart Road, Bryanston	11 531	137 639	3.1	
Benmore Gardens Shopping Centre	Benmore Road, Sandton	18 231	134 621	3.1	
Southgate Mall (15.97 percent)	Rifle Range Road, Mondeor	11 024	129 769	3.0	
The Brightwater Commons	Republic Road, Randburg	31 058	120 570	2.8	
Northmead Mall	1st Street, Northmead, Benoni	14 154	45 437	1.0	
Rosebank Mews	173 Oxford Road, Rosebank	7 317	32 978	0.8	
Dekema Mall	Dekema Road, Wadeville, Germiston	4 632	17 578	0.4	
Southgate Value Market (19.01 percent)	Rifle Range Road, Mondeor	3 650	12 209	0.3	
Western Cape					
Blue Route Mall	Tokai Road, Tokai, Cape Town	47 379	450 435	10.3	
Kenilworth Centre	Doncaster Road, Kenilworth	42 991	313 208	7.2	
N1 City Mall (58 percent)	Louwtjie Rothman Street, Goodwood	31 329	249 460	5.7	
Total retail		384 683	3 310 052	75.7	332.3
OFFICE BLOCKS					
Gauteng					
Grayston Ridge Office Park	144 Katherine Street, Sandown, Sandton	10 023	54 571	1.2	
Douglas Roberts Centre	22 Skeen Boulevard, Bedfordview	16 941	52 946	1.2	
AMR Office Park	Concorde Road, Bedfordview	9 965	43 235	1.0	
Rosebank Corner	Jan Smuts Avenue, Rosebank	9 082	40 328	0.9	
Dunkeld Office Park	6 North Road, Dunkeld West	5 478	34 853	0.8	
Kimberley-Clark House	Leicester Road, Bedford Gardens	6 016	30 352	0.7	
The Ambridge	Vrede Avenue, Epsom Downs	4 406	22 697	0.5	
240 Walker Street	Sunnyside, Pretoria	7 808	22 447	0.5	
260 Walker Street	Sunnyside, Pretoria	5 279	17 357	0.4	
Sunridge (75 percent)	62 Wierda Road East, Wierda Valley	2 930	13 285	0.3	
PSG House	29 Princess of Wales Terrace, Parktown	5 176	12 840	0.3	
Summit Park	439 Summit Road, Morningside	2 873	11 578	0.3	
Lakeside Place	Queen Street, Bruma	3 314	10 378	0.2	
377 Rivonia Boulevard	Rivonia	4 283	7 876	0.2	
22 Wellington Road	Parktown	3 259	6 727	0.2	
N.M.G House	256 Kent Avenue, Randburg	2 267	6 491	0.1	
271 Oak Avenue	Ferndale, Randburg	3 517	6 422	0.1	
Wierda Mews	41 Wierda Road, Wierda Valley	2 217	5 024	0.1	
RPA Centre	180 Smit Street, Fairland	1 716	4 634	0.1	
Kwazulu-Natal					
Delmat House	27 Jan Hofmeyr Road, Westville	3 915	20 800	0.5	
Essex Park	46 Essex Terrace, Berea West, Westville	4 344	14 657	0.3	
Kent House	1 Neptune Road, Berea West, Westville	2 371	10 611	0.2	
Total offices		117 180	450 109	10.1	45.2

Property Portfolio

Name of property	Location	Rentable area (m ²)	Market value (000)	% of portfolio	Cents/unit
INDUSTRIAL					
Gauteng					
Mifa Industrial Park	399 George Street, cnr 16th Road, Midrand	34 002	69 915	1.6	
Strijdom Industrial Park	Hammer Avenue, Strijdompark, Randburg	25 114	58 214	1.3	
Supreme Industrial Park	Klipriviersberg Road, Steeledale	31 328	24 291	0.6	
Nashua House	Old Pretoria Road, Midrand	7 541	24 165	0.6	
Saffer	2 Keerom Road, Heriotdale Ext. 10	7 097	17 798	0.4	
Degussa	142 16th Road, Midrand	4 519	16 076	0.4	
Pick 'n Pay Warehouse	Nasmith Road, Jupiter Ext. 1, Germiston	10 540	11 022	0.3	
Dismed House	733 / 747 16th Road, Midrand	2 871	9 780	0.2	
Gateway Industrial Park	Graniet Street, Jet Park	4 805	9 094	0.2	
Euro Park	Fabriek Street, Strijdom Park	6 557	8 456	0.2	
Delta	Old Pretoria Road, Midrand	1 504	7 802	0.2	
Fourways Haulage	Ronbex Road, Activia Park, Germiston	11 959	7 775	0.2	
Verona Industrial Park	Cnr Kya Sand Road & Staal Street, Kya Sand	3 825	6 415	0.1	
Canberra Industrial Park	Derick Coetzee Street, Jet Park	2 621	5 175	0.1	
Chamdor Factory	6 Jacobs Street, Chamdor, Krugersdorp	8 879	4 849	0.1	
Eastlands Industrial Park	Vervoer Street, Kya Sand	2 853	4 512	0.1	
Strike House	Richards Drive, Halfway House	1 880	4 333	0.1	
Saxon Industrial Park	Cnr Sterling & Fabriek Streets, Strijdom Park	2 017	4 309	0.1	
Mercury Park	Piet Bekker Street, Jet Park	2 105	4 235	0.1	
Staceylee Industrial Park	Derick Coetzee Street, Jet Park	1 876	4 011	0.1	
Jay Park	Piet Bekker Street, Jet Park	2 264	3 912	0.1	
Cenmag House	Hertz Drive, Meadowdale	2 030	3 825	0.1	
Monit House	Van Der Bijl Street, Meadowdale	1 985	3 803	0.1	
Prairie Industrial Park	Staal Street, Kya Sand	2 323	3 727	0.1	
Astro Place	Van Der Bijl Street, Meadowdale	1 876	3 501	0.1	
Humsa House	Graniet Street, Jet Park	2 092	3 395	0.1	
Lifetime House	Kelly Road, Jet Park	1 801	3 375	0.1	
The House of Rubber	Crusher Road, Crown Extension	2 266	3 313	0.1	
Cyrus House	Innes Road, Jet Park	2 068	3 260	0.1	
Hydra Park	Piet Bekker Street, Jet Park	1 643	2 857	0.1	
Orion Place	Piet Bekker Street, Jet Park	1 519	2 849	0.1	
Gail Industrial Park	Patrick Road, Jet Park	1 504	2 845	0.1	
Ventura Industrial Park	Derick Coetzee Street, Jet Park	1 402	2 834	0.1	

Name of property	Location	Rentable area (m ²)	Market value (000)	% of portfolio	Cents/unit
INDUSTRIAL (continued)					
Gauteng (continued)					
Weststar Place	Mineral Crescent, Crown Extension	1 620	2 454	0.1	
Dale House	Cnr Bell & Fleming Streets, Meadowdale	1 308	2 375	0.1	
Medsave House	Fabriek Street, Strijdom Park	2 113	2 250	0.1	
Westlands Industrial Park	Vervoer Street, Kya Sand	1 363	2 179	0.0	
Zero Park	Fabriek Street, Strijdom Park	1 180	2 168	0.0	
Crescent Place	Mineral Crescent, Crown Extension	1 293	1 866	0.0	
Thermo House	Derick Coetzee Street, Jet Park	1 050	1 800	0.0	
Custom Place	Derick Coetzee Street, Jet Park	696	1 237	0.0	
Rally Place	Derick Coetzee Street, Jet Park	632	1 208	0.0	
Precision House	Precision Road, Kya Sand	604	981	0.0	
Kwazulu-Natal					
Murrayfield	Prospecton Road, Prospecton	16 869	29 046	0.7	
4 Walter Place	Watervalpark, Mayville	8 242	12 814	0.3	
Western Cape					
Metro Cash and Carry	7 Benbow Avenue, Epping 1	6 560	8 065	0.2	
Total industrial		242 196	414 166	9.5	41.6
SPECIALISED					
Gauteng					
Bedford Gardens Private Hospital	Leicester Road, Bedford Gardens	12 817	118 491	2.7	
Johannesburg Airport Holiday Inn	Kempton Park	14 152	78 913	1.8	
Total specialised		26 969	197 404	4.5	19.8
Total property portfolio of Grayprop		771 028	4 371 731	100	438.9

Balance Sheet

as at 30 September 2005

(R000)	Notes	2005	Restated 2004
ASSETS			
Property assets		4 371 731	3 133 499
Investment properties	2	4 153 081	2 949 609
Straight-line lease accrual	3	218 650	183 890
Other current assets		264 482	266 040
Trade and other receivables	4	26 972	32 172
Cash and cash equivalents	5	237 510	233 868
Total assets		4 636 213	3 399 539
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds		4 161 965	2 966 800
Capital of the fund	6	1 933 354	1 933 354
Capital reserve		421 754	400 265
Revaluation reserve		1 588 147	449 273
Retained earnings		218 710	183 908
Non-current liabilities			
Interest-bearing liability	7	229 000	214 557
Current liabilities		245 248	218 182
Trade and other payables		69 944	52 839
Unitholders for distribution		175 304	165 343
Total unitholders' funds and liabilities		4 636 213	3 399 539

Income Statement

for the year ended 30 September 2005

(R000)	Notes	2005	Restated 2004
Revenue		542 213	485 183
Contractual rental income		507 453	453 570
Straight-line lease accrual	2, 3	34 760	31 613
Expenses		(158 073)	(140 338)
Administrative expenses	8	(24 880)	(17 974)
Property operating expenses	8	(133 193)	(122 364)
Operating profit		384 140	344 845
Net finance costs		(723)	7 494
Interest received		20 035	30 407
Interest paid		(20 758)	(22 913)
Profit on disposal of investment properties	9	16 247	6 134
Fair value adjustments to investment properties	2	1 144 116	393 722
Taxation	10	–	885
Net profit for the year		1 543 780	753 080
Net profit per unit (cents)	13	155.0	75.6

Statement of Changes in Unitholders' Funds

for the year ended 30 September 2005

(R000)	Capital of the fund	Capital reserve	Revaluation reserve	Retained earnings	Total unitholders' funds
Balance as at 1 October 2003:					
– As previously reported	1 757 354	393 019	208 055	18	2 358 446
– Straight-line lease accrual			(152 277)	152 277	–
– Restated balance	1 757 354	393 019	55 778	152 295	2 358 446
Units issued during the year	176 000				176 000
Net profit for the year				753 080	753 080
Transfer to capital reserve		7 246	(227)	(7 019)	–
Transfer to revaluation reserve			393 722	(393 722)	–
Income distributions				(320 726)	(320 726)
Restated balance at 30 September 2004	1 933 354	400 265	449 273	183 908	2 966 800
Balance as at 1 October 2004:					
– As previously reported	1 933 354	400 265	633 163	18	2 966 800
– Straight-line lease accrual			(183 890)	183 890	–
– Restated balance	1 933 354	400 265	449 273	183 908	2 966 800
Net profit for the year				1 543 780	1 543 780
Transfer to capital reserve		21 489	(5 242)	(16 247)	–
Transfer to revaluation reserve			1 144 116	(1 144 116)	–
Income distributions				(348 615)	(348 615)
Balance at 30 September 2005	1 933 354	421 754	1 588 147	218 710	4 161 965

Cash Flow Statement

for the year ended 30 September 2005

(R000)	Notes	2005	Restated 2004
Cash effects from operating activities			
Profit for the year		1 543 780	753 080
Adjustments for:			
Straight-line lease accrual		(34 760)	(31 613)
Interest received		(20 035)	(30 407)
Interest paid		20 758	22 913
Profit on disposal of investment properties		(16 247)	(6 134)
Fair value adjustments to investment properties		(1 144 116)	(393 722)
Taxation		–	(885)
Operating profit before changes in working capital		349 380	313 232
Decrease in trade and other receivables		5 200	9 904
Increase in trade and other payables		17 105	8 584
Cash generated from the operations		371 685	331 720
Interest received		20 035	30 407
Interest paid		(20 758)	(22 913)
Taxation paid	11.1	–	(3 789)
Income distributions	11.2	(338 654)	(303 390)
Cash flows from operating activities		32 308	32 035
Cash effects from investing activities			
Additions to investment properties		(104 140)	(192 844)
Proceeds from disposal of investment properties		61 031	26 666
Decrease in capital debtors		–	89 019
		(43 109)	(77 159)
Cash effects from financing activities			
Increase in long-term loan		14 443	–
		14 443	–
Net increase/(decrease) in cash and cash equivalents		3 642	(45 124)
Cash and cash equivalents at 1 October		233 868	278 992
Cash and cash equivalents at 30 September	5	237 510	233 868

Notes to the Annual Financial Statements

as at 30 September 2005

1. Accounting policies

The financial statements are prepared on the historical cost basis, adjusted by the valuation of investment properties as detailed in notes 1.2 and 2 below, remeasurement of certain financial instruments to fair value and incorporating the following accounting policies which are, in all material respects, consistent with those applied in previous years. We draw attention to the fact that there has been a change in interpretation of the accounting treatment of lease income. Accordingly, comparative figures have been restated for the income statement, balance sheet and equity statement (see note 3).

The financial statements are prepared on a going concern basis.

1.1 Statement of compliance

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Collective Investment Schemes Control Act, 2002.

1.2 Investment properties

Investment properties are properties which are held for the purpose of earning rental income and for capital appreciation.

The cost of investment properties comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment properties is capitalised when it is probable that future economic benefits associated with the item will flow to the Trust and when the cost can be reliably measured. All other subsequent expenditure is expensed in the period in which it is incurred.

After initial recognition, investment properties are stated at fair value. Fair values are determined by reducing the market valuation of the property for the straight-line lease accrual. Market values are determined annually by an independent valuer in terms of AC135 Investment Property.

Any gain or loss arising from a change in the fair value of the investment properties is included in net income for the year in which it arises. The net gain or loss is transferred to the revaluation reserve.

Realised gains and losses on the disposal of investment properties are recognised in net income for the year and are calculated as the difference between the sale price and the carrying amount of the property. The net gain or loss on the sale of investment properties is transferred to the capital reserve. The balance relating to the sold properties which were previously included in the revaluation reserve is also transferred to the capital reserve.

1.3 Impairment

The carrying amounts of the Trust's assets, other than investment properties (see accounting policy note 1.2), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss and is recognised in profit or loss.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, negotiable certificates of deposit and surplus funds deposited in The Standard Bank of South Africa Limited's access bond facility, all of which are available for use by the Trust.

1.5 Financial instruments

A financial asset or financial liability is recognised on the balance sheet for as long as the Trust is party to the contractual provisions of the instrument. Gains or losses on derecognition of financial assets or liabilities are included in net profit.

Measurement

Financial instruments are initially measured at fair value. Subsequent to the initial recognition these instruments are measured as set out below.

- Trade and other receivables
Loans and receivables are reflected at amortised cost, using the effective interest rate method after deducting accumulated impairment losses.
- Other investments in debt and equity
The Trust classifies its investments in debt and equity securities into the following categories:
 - held-for-trading;
 - held-to-maturity; and
 - available-for-sale.

Held-to-maturity investments are those that the Trust has the positive intent and ability to hold to maturity and these are held at amortised cost using the effective interest rate method, after deducting accumulated impairment losses.

Held-for-trading and available-for-sale financial assets are held at fair value which is the market price at the reporting date.

1.5 Financial instruments (continued)

Measurement (continued)

– Financial liabilities

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Financial liabilities are measured at amortised cost using the effective interest rate method. Liabilities that are designated as held-for-trading are measured at fair value.

Gains or losses on subsequent measurement

Gains or losses on subsequent measurement of held-for-trading financial assets and available-for-sale financial assets are recognised in net profit for the year.

Set-off

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Trust has an enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Capital reserve

All surpluses/deficits arising on the disposal of investment properties and fixed property companies are transferred to the capital reserve and are not available for distribution.

1.7 Revaluation reserve

All unrealised surpluses/deficits arising on the revaluation of investment properties from cost to fair value are transferred to the revaluation reserve and are not available for distribution.

1.8 Revenue

Rental income comprises gross rental and is recognised in the income statement on a straight-line basis over the period of the term of the lease. Lease incentives granted and costs incurred that are directly attributable to the lease are recognised as an integral part of the total rental income.

1.9 Interest income

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.10 Leasing

Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the term of the relevant lease.

1.11 Segmental information

The Trust consists of investment properties. The Trust earns revenue in the form of rentals from tenants of these investment properties. On a primary basis, the Trust is organised into five major operating segments:

- Retail segment comprising mainly shopping centres;
- Office segment comprising mainly office parks and office buildings;
- Industrial segment comprising mainly industrial buildings such as warehouses and factories;
- Specialised segment comprising an hospital and an hotel; and
- Corporate segment comprising all assets and expenses not directly attributable to the other segments. These include certain Trust expenses, interest paid on borrowings, receivables, prepayments, current liabilities and cash and cash equivalents.

On a secondary basis, the geographic location of the properties has been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and property expenses that are directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to that segment, whether from external transactions or from transactions with other Trust segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to a segment on a reasonable basis. Segment assets are reported after deducting related allowances that are reported as direct offsets in the Trust's balance sheet.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period.

Notes to the Annual Financial Statements

as at 30 September 2005

(R000)	2005	Restated 2004
2. Investment properties		
Independent property valuations	4 371 731	3 133 499
Straight-line lease accrual	(218 650)	(183 890)
Investment properties at fair value	4 153 081	2 949 609
Movement for the year		
Balance at 1 October:		
As previously reported	2 949 609	2 359 852
Straight-line lease accrual	–	(152 277)
Restated balance at beginning of the year	2 949 609	2 207 575
Expenditure/costs capitalised	104 140	368 844
Carrying amount of investment properties disposed of:	(44 784)	(20 532)
Fair value adjustments	1 144 116	393 722
Unrealised surplus on revaluation of investment properties	1 178 876	425 335
Change in straight-line lease accrual	(34 760)	(31 613)
Balance at 30 September	4 153 081	2 949 609
With the exception of 6 investment properties which are partially held – (see property portfolio on page 13), all other investment properties are 100% held by the Trust.		
Investment properties are reflected at independent fair value. Fair value is the market value of the property less the straight-line lease accrual. It is the policy of the Trust to obtain independent valuations of the investment properties annually.		
The investment properties were independently valued on 30 September 2005 by E G Rode and K Scott, registered valuers with Rode & Associates CC, both members of the South African Institute of Valuers.		
The market valuation methodology is based on capitalising the first year's market related, normalised net operating income (before tax) at a market derived capitalisation rate. Appropriate adjustments are made to this value to reflect the effects of leases which are above or below market rentals. Two specialised properties are valued on a discounted cash flow basis.		
3. Straight-line lease accrual		
Non-current receivable	188 756	164 141
Current receivable	29 894	19 749
	218 650	183 890
Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.		
Due to a change in interpretation of the accounting treatment of lease income, comparative figures have been restated. This adjustment has reduced the carrying value of investment property and increased current and long-term receivables. The impact of this change has been disclosed separately on the face of the balance sheet, income statement, and equity statement. The adjustment has no tax effect (see note 10).		
4. Trade and other receivables		
Rent debtors	14 931	15 674
Prepayments	3 897	4 125
Other debtors	8 144	12 373
	26 972	32 172

(R000)	2005	Restated 2004
5. Cash and cash equivalents		
Deposits at banks	8 510	9 219
Negotiable certificates of deposit	–	10 092
Deposits in access bond (see note 7)	229 000	214 557
	237 510	233 868
6. Capital of the fund		
Balance at 1 October	1 933 354	1 757 354
Issued during the year	–	176 000
Balance at 30 September	1 933 354	1 933 354
Units in issue at 30 September 2005: 996 043 081 (2004: 996 043 081).		
The capital of the fund is governed by the Trust Deed which can be viewed upon request at the registered office.		
7. Interest-bearing liability		
The Standard Bank of South Africa Limited	229 000	214 557
This is an access bond facility and funds are deposited into this account when they become available. The amount deposited in this facility is reflected in note 5 above.		
Only interest is payable until 31 August 2009. Thereafter the capital of the loan is repayable in two instalments, R130 000 000 on 31 August 2009 and R99 000 000 on 31 August 2010. The loan is unsecured.		
The loan bears interest at prime less 1.5 percent, or at the B.A. rate plus reserving costs plus 1.5 percent or fixed at the Trust's election, payable monthly in arrears.		
8. Income and expenditure		
8.1 Property operating expenses include:		
Property management fees	22 550	19 131
Letting fees	6 945	3 657
8.2 Administrative expenses include:		
Audit fees	531	642
Service fee paid to the Manager	22 510	15 773
The service fee is equal to 0.5 percent per annum of the Trust's enterprise value. The enterprise value is the sum of the market capitalisation and the long-term borrowings of the Trust. The market capitalisation is based on the average daily closing price of the units as quoted on the JSE.		

Notes to the Annual Financial Statements

as at 30 September 2005

(R000)	2005	Restated 2004
9. Profit on disposal of investment properties		
Profit on disposal of investment properties	16 247	6 134
	16 247	6 134

The following investment properties were disposed of by the Trust during the year:

(R000)	Carrying amount	Proceeds	Surplus on disposal
2005			
– 25 Owl Street	28 144	36 500	8 356
– 4 Stan Road	5 065	6 500	1 435
– 51 Juta Street	3 647	5 327	1 680
– Rudo House	2 130	4 500	2 370
– Sapphire Place	1 578	2 850	1 272
– Eastar Place	1 778	2 199	421
– Shukran House	985	1 400	415
– Delta Place	878	998	120
– Hazra Industrial Park	579	757	178
	44 784	61 031	16 247
2004			
– 1 Stan Road	3 308	4 596	1 288
– Judd Industrial Park	4 035	4 441	406
– Aerospace Industrial Park	2 240	2 465	225
– Cadbury	2 175	3 518	1 343
– Col-B-House	1 835	2 950	1 115
– Sunshine Place	1 489	2 299	810
– Ace House	1 462	1 609	147
– House of Fibre	1 446	1 592	146
– Engine Plan	1 122	1 500	378
– Wade Industrial Park	913	1 094	181
– Ville Industrial Park	507	602	95
	20 532	26 666	6 134

(R000)	2005	Restated 2004
10. Taxation		
Secondary tax on companies	–	(885)
	–	(885)

The Trust is not liable for income tax or capital gains tax as the income and capital gains vest in the unitholders' hands. The Trust therefore does not provide for current taxation or deferred taxation.

Previously, when the properties were owned by the fixed property companies, the companies were liable for capital gains tax and secondary tax on companies, hence the provision was made.

(R000)	2005	Restated 2004
11. Notes to the cash flow statement		
11.1 Taxation paid		
Amounts paid at 1 October	–	(4 674)
Amounts released to income statement	–	885
Amounts unpaid at 30 September	–	–
	–	(3 789)
11.2 Income distributions		
Amounts unpaid at 1 October	(165 343)	(148 007)
Amounts declared during the year	(348 615)	(320 726)
Amounts unpaid at 30 September	175 304	165 343
	(338 654)	(303 390)
12. Income distribution per unit		
Income distribution per unit is calculated based on distributable earnings of R348.6 million for the year ended 30 September 2005 (2004: R320.7 million) and on a weighted average number of units in issue of 996 043 081 (2004: 996 043 081).		
Distribution income reconciliation		
Net profit for year	1 543 780	753 080
Straight-line lease accrual	(34 760)	(31 613)
Profit on disposal of investment properties	(16 247)	(6 134)
Fair value adjustments to investment properties	(1 144 116)	(393 722)
Taxation	–	(885)
Retained earnings	(42)	–
Distribution income	348 615	320 726
Income distribution		
Interim distribution paid	173 311	155 383
Final distribution declared	175 304	165 343
	348 615	320 726
13. Net profit and headline earnings per unit		
Net profit per unit is calculated based on earnings of R1 543.8 million for the year ended 30 September 2005 (2004: R753.1 million) and on a weighted average number of units in issue of 996 043 081 (2004: 996 043 081).		
Headline earnings per unit is calculated based on earnings of R383.4 million for the year ended 30 September 2005 (2004: R352.3 million) and on a weighted average number of units in issue of 996 043 081 (2004: 996 043 081).		
Headline earnings reconciliation		
Net profit for the year	1 543 780	753 080
Profit on disposal of investment properties	(16 247)	(6 134)
Fair value adjustments to investment properties	(1 144 116)	(393 722)
Taxation	–	(885)
Headline earnings	383 417	352 339
14. Operating lease rentals		
As at 30 September 2005, the Trust had contracted with tenants for the following future minimum lease rentals:		
Within one year	438 591	416 983
In the second to fifth years inclusive	976 364	1 142 697
After 5 years	239 456	297 721

Notes to the Annual Financial Statements

as at 30 September 2005

15. Capital commitments

As at 30 September 2005 the capital contractual commitments were R121.1 million (2004: R101.7 million). Funds to meet these commitments can be provided by the Trust out of existing approved loan facilities.

16. Management company

The management company, Allan Gray Property Trust Management Limited, is owned by Allan Gray Limited and The Standard Bank of South Africa Limited in the ratio 76 percent and 24 percent respectively.

17. Borrowing powers

In terms of its Trust Deed, the Trust may borrow up to 30 percent of the value of the underlying assets comprising the portfolio, effectively the value of the investment properties.

The borrowings of the Trust at 30 September 2005 were R229 million (2004: R214.6 million) which is 5.2 percent (2004: 6.8 percent) of the value of the property portfolio.

18. Contingent liabilities

Guarantees

The Trust has provided bank guarantees in lieu of deposits for municipal services and electricity to the value of R2.9 million (2004: R2.1 million).

19. Subsequent events

The Directors are not aware of any events subsequent to 30 September 2005, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

20. Defined contribution plan

As the Trust has no employees, there are no obligations arising from a defined contribution plan.

21. Financial risk management

The Trust's financial instruments consist mainly of deposits with banks, loans from banks, accounts receivable and accounts payable.

In respect of all financial instruments listed above, book value approximates fair value.

Exposure to interest rate, credit and liquidity risk arises in the normal course of business.

Credit risk management

Potential areas of credit risk consist mainly of trade receivables. Trade receivables consist of a large and widespread tenant base. The financial position of these tenants is monitored on an ongoing basis. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

Impairments are raised for all specific doubtful debts and at year-end management did not consider there to be any material credit risk exposure.

(R000)	2005	Restated 2004
Interest rate risk management		
Unsecured loan from The Standard Bank of South Africa Limited	229 000	214 557
Floating 1.5 percent points below prime	9.00%	9.50%

Liquidity risk management

Cash flows are monitored on a weekly basis to ensure that cash resources are adequate to meet funding requirements.

Fair values

The fair values of all financial instruments are substantially similar to carrying amounts reflected in the balance sheet.

(R000)	2005	Restated 2004
22. Related parties		
Related parties with whom the Trust transacted during the year:		
Allan Gray Property Trust Management Limited		
Relationship: Manager of the Trust in terms of the Collective Investment Schemes Control Act of 2002.		
Related party transactions for the year:		
– Service fee paid to Allan Gray Property Trust Management Limited	22 510	15 773
The Standard Bank of South Africa Limited		
Relationship: Shareholder in Allan Gray Property Trust Management Limited		
Related party transactions for the year:		
– Loan	229 000	214 557
– Interest on loan	20 758	22 913
– Interest income	18 947	24 931
– Bank charges	213	193
– Gross rent received	12 294	10 903
ABSA Bank Limited		
Relationship: Trustee of Allan Gray Property Trust		
Related party transactions for the year		
– Trustee fees	445	431
– Gross rent received	8 463	7 846

(R000)	Retail 2005	Office 2005	Industrial 2005	Specialised 2005	Corporate 2005	Total 2005
23. Segmental information						
23.1 Business segment						
Revenue						
Contractual rental income	347 125	81 383	60 084	18 861	–	507 453
Straight-line rental accrual	23 286	1 192	(1 008)	11 290	–	34 760
Total revenue	370 411	82 575	59 076	30 151	–	542 213
Segment result						
Operating profit/(loss)	285 259	49 115	44 533	29 996	(24 763)	384 140
Interest received	1 088	71	62	–	18 814	20 035
Interest paid	–	–	–	–	(20 758)	(20 758)
Profit on disposal of investment properties	–	11 472	4 775	–	–	16 247
Fair value adjustments to investment properties	929 093	73 522	118 170	23 331	–	1 144 116
	1 215 440	134 180	167 540	53 327	(26 707)	1 543 780

Notes to the Annual Financial Statements

as at 30 September 2005

(R000)	Retail 2005	Office 2005	Industrial 2005	Specialised 2005	Corporate 2005	Total 2005
23. Segmental information (continued)						
23.1 Business segment (continued)						
Other information						
Property assets	3 310 052	450 109	414 166	197 404	–	4 371 731
Trade and other receivables	19 442	3 247	2 844	2	1 437	26 972
Cash and cash equivalents	3 778	–	–	–	233 732	237 510
Total assets	3 333 272	453 356	417 010	197 406	235 169	4 636 213
Interest-bearing liabilities	–	–	–	–	229 000	229 000
Trade and other payables	37 556	16 811	9 400	243	5 934	69 944
Unitholders for distribution	–	–	–	–	175 304	175 304
Total liabilities	37 556	16 811	9 400	243	410 238	474 248
Capital expenditure	100 951	3 112	77	–	–	104 140

Restated (R000)	Retail 2004	Office 2004	Industrial 2004	Specialised 2004	Corporate 2004	Total 2004
Revenue						
Contractual rental income	298 154	78 549	58 847	18 020	–	453 570
Straight-line rental accrual	15 205	2 706	1 536	12 166	–	31 613
Total revenue	313 359	81 255	60 383	30 186	–	485 183
Segment result						
Operating profit/(loss)	233 542	56 688	43 007	30 038	(18 430)	344 845
Interest received	1 003	73	157	–	29 174	30 407
Interest paid	–	–	–	–	(22 913)	(22 913)
Profit on disposal of investment properties	–	1 288	4 846	–	–	6 134
Fair value adjustments to investment properties	317 495	24 984	56 422	(5 179)	–	393 722
Taxation	587	95	19	184	–	885
	552 627	83 128	104 451	25 043	(12 169)	753 080
Other information						
Property assets	2 256 722	409 139	304 855	162 783	–	3 133 499
Trade and other receivables	22 504	4 227	3 751	–	1 690	32 172
Cash and cash equivalents	4 792	–	–	–	229 076	233 868
Total assets	2 284 018	413 366	308 606	162 783	230 766	3 399 539
Interest-bearing liabilities	–	–	–	–	214 557	214 557
Trade and other payables	29 282	11 798	7 482	227	4 050	52 839
Unitholders for distribution	–	–	–	–	165 343	165 343
Total liabilities	29 282	11 798	7 482	227	383 950	432 739
Capital expenditure	329 250	2 983	36 603	8	–	368 844

(R000)	2005	Restated 2004
23.2 Geographic segments		
Revenue by location		
The following table shows the distribution of the Group's consolidated rentals by geographic location:		
Gauteng	414 208	364 167
Western Cape	113 770	107 355
Kwazulu-Natal	14 235	13 661
	542 213	485 183
Analysis of assets by location		
The following table shows the carrying amount of segment assets by the geographic area in which the assets are located:		
Gauteng	3 286 021	2 388 453
Western Cape	1 026 821	718 483
Kwazulu-Natal	88 202	61 837
Corporate	235 169	230 766
	4 636 213	3 399 539
Capital expenditure by location		
The following table shows the capital expenditure by the geographic area in which the assets are located:		
Gauteng	80 079	366 698
Western Cape	24 061	2 126
Kwazulu-Natal	–	20
	104 140	368 844

Segment revenue and expenses

Revenue and expenses that are directly attributable to properties in a segment are allocated to those segments. Expenses not directly attributable to a segment are allocated to the corporate segment.

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of investment properties, receivables and cash. Assets not directly attributable to a particular segment are allocated to the corporate segment. Segment liabilities include all operating liabilities of a segment and consist principally of outstanding accounts.

Balance Sheet

as at 30 September 2005

(R000)	Notes	2005	2004
Assets			
Non-current assets			
Investment in Allan Gray Property Trust	2	1 255	862
Current assets			
Trade and other receivables	3	2 538	1 749
Cash and cash equivalents	4	3 933	2 266
Total assets		7 726	4 877
Equity and liabilities			
Equity			
Share capital	5	1 000	1 000
Revaluation reserve		646	308
Retained earnings		3 204	1 804
Non-current liabilities			
Deferred taxation	7	109	54
Current liabilities			
Trade and other payables		1 975	1 377
Provision for taxation		792	334
Total equity and liabilities		7 726	4 877

Income Statement

for the year ended 30 September 2005

(R000)	Notes	2005	2004
Revenue			
Service fee		22 510	15 773
Interest received		168	128
Distributions received		85	79
Expenditure			
Administration expenses		1 201	1 174
Audit fees		51	47
Directors' fees	6	292	240
Management and administration fees	8	16 882	11 829
Fair value adjustment of investment in Allan Gray Property Trust		393	180
Net income before taxation		4 730	2 870
Taxation			
South African normal tax	7	1 304	846
Secondary tax on companies		188	138
Net income after taxation		3 238	1 886

Statement of Changes in Equity

for the year ended 30 September 2005

(R000)	2005	2004
Share capital		
Balance at 1 October	1 000	1 000
Balance at 30 September	1 000	1 000
Revaluation reserve		
Balance at 1 October	308	182
Fair value adjustment transfer to revaluation reserve	393	180
Deferred taxation transfer to revaluation reserve	(55)	(54)
Balance at 30 September	646	308
Retained earnings		
Balance at 1 October	1 804	1 171
Prior year deferred taxation	–	(27)
Net income for the year	3 238	1 886
Fair value adjustment transfer to revaluation reserve	(393)	(180)
Deferred taxation transfer to revaluation reserve	55	54
Dividends paid	(1 500)	(1 100)
Balance at 30 September	3 204	1 804

Cash Flow Statement

for the year ended 30 September 2005

(R000)	Notes	2005	2004
Cash effects from operating activities			
Net income before taxation		4 730	2 870
Adjustments for:			
Interest received		(168)	(128)
Fair value adjustment of investment in Allan Gray Property Trust		(393)	(180)
Operating profit before changes in working capital		4 169	2 562
Working capital changes		(191)	(114)
Increase in trade and other receivables		(789)	(412)
Increase in trade and other payables		598	298
Cash generated from operations		3 978	2 448
Interest received		168	128
Taxation paid	9.1	(979)	(858)
Dividends paid	9.2	(1 500)	(1 100)
Net cash inflow from operating activities		1 667	618
Cash and cash equivalents at 1 October		2 266	1 648
Cash and cash equivalents at 30 September	4	3 933	2 266

Notes to the Annual Financial Statements

at 30 September 2005

1. Accounting policies

The financial statements are prepared on the historical cost basis, adjusted by the valuation of the investment in the Trust as detailed in notes 1.7 and 2 below and incorporate the following accounting policies which, in all material respects, are consistent with those applied in previous years.

The financial statements are prepared on a going concern basis.

1.1 Statement of compliance

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Companies Act of South Africa, 1973 and the Collective Investment Schemes Control Act, 2002.

1.2 Revenue

Revenue comprises service fees, interest income and distributions received.

1.3 Service fee

Service fee represents management fees received for the asset management of the Trust, net of value added tax.

1.4 Distributions received

Distributions on investments are taken into account on the registration date.

1.5 Taxation

Income tax comprises current and deferred taxation.

Current tax is the expected tax payable on the net income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method at current rates in respect of temporary differences. The comparative figures have been adjusted accordingly.

1.6 Revaluation reserve

All unrealised surpluses/deficits arising on the revaluation of the investment in the Trust to market value are transferred to the revaluation reserve.

1.7 Investment in the Trust

The investment is stated at fair value (note 2) and is classified as an available-for-sale asset. Any surplus or deficit arising from a change in fair value is included in net income for the year in which it arises.

1.8 Financial instruments

A financial asset or financial liability is recognised on the balance sheet for as long as the Company is party to the contractual provisions of the instrument. Gains or losses on derecognition of financial assets or liabilities are included in net profit.

Measurement

Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to the initial recognition, these instruments are measured as set out below.

- Trade and other receivables
Loans and receivables are reflected at amortised cost, using the effective interest rate method after deducting accumulated impairment losses.
- Other investments in debt and equity
The Company classifies its investments in debt and equity securities into the following categories:
 - held-for-trading;
 - held-to-maturity; and
 - available-for-sale.

Held-to-maturity investments are those that the Company has the positive intent and ability to hold to maturity and these are held at amortised cost using the effective interest rate method, after deducting accumulated impairment losses.

1.8 Financial instruments (continued)

Measurement (continued)

Held-for-trading and available-for-sale financial assets are held at fair value which is the market price at the reporting date.

- Financial liabilities
Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Financial liabilities are measured at amortised cost using the effective interest rate method.

Liabilities that are designated as held-for-trading are measured at fair value.

Gains or losses on subsequent measurement

Gains or losses on subsequent measurement of financial instruments that are carried at fair value are accounted for as follows:

- Held-for-trading financial assets are recognised in net profit for the year.
- Movements in fair value of available-for-sale financial assets upon subsequent measurement are reflected in profit or loss.

(R000)	2005	2004
2. Investment in the Trust		
249 904 (2004: 249 904) units in the Trust	1 255	862
The investment in the Trust is stated at fair value.		
3. Trade and other receivables		
Service fee	2 450	1 693
Prepayments	49	19
Other	39	37
	2 538	1 749
4. Cash and cash equivalents		
Deposits at bank	14	6
Negotiable certificates of deposit	1 500	1 000
Deposits on call	2 419	1 260
	3 933	2 266
5. Share capital		
Authorised and issued 1 000 000 ordinary shares of R1 each	1 000	1 000
6. Directors' remuneration		
Directors' emoluments		
For services as Directors of the Company		
– J D Rainier *	–	–
– W J C Mitchell	–	–
– W T Fairhead	71	60
– G W Fury (alternate)	–	–
– M Herdman	–	–
– W M Kirchmann	71	60
– S P McCoy *	–	–
– D M Nurek	50	40
– E Osrin	50	40
– S Shaw-Taylor	50	40
Total Directors' remuneration	292	240

* Executive

Notes to the Annual Financial Statements

at 30 September 2005

(R000)	2005	2004
6. Directors' remuneration (continued)		
Directors' service contracts		
No Directors have service contracts with Allan Gray Property Trust.		
7. Taxation		
South African normal taxation		
– current	1 249	806
– prior year	–	13
– deferred	55	27
Total normal taxation	1 304	846
Secondary tax on companies	188	138
	1 492	984
<i>The taxation charge is reconciled as follows:</i>		
Profit before taxation	4 730	2 870
Tax calculated at a tax rate of 29% (2004: 30%)	1 372	861
Prepaid expenditure	(9)	(1)
Prior year under provision	–	13
Rate change adjustment	(2)	–
Deferred capital gains taxation on fair value adjustment	(57)	(27)
Secondary tax on companies	188	138
Taxation per the income statement	1 492	984
<i>The taxation rate is reconciled as follows:</i>	%	%
Statutory taxation rate	29.00	30.00
Prepaid expenditure	(0.19)	(0.03)
Prior year under provision	–	0.45
Rate change adjustment	(0.04)	–
Deferred capital gains taxation on fair value adjustment	(1.20)	(0.94)
Secondary tax on companies	3.97	4.81
Effective tax charge	31.54	34.29
Deferred taxation liability		
Opening balance	54	27
Fair value adjustment of investment in Allan Gray Property Trust	57	27
Rate change adjustment	(2)	–
Closing balance	109	54
8. Management and administration fees		
The following management and administration fees were paid during the year:		
Allan Gray Limited	16 882	11 829
Broll Property Group (Proprietary) Limited	852	798
	17 734	12 627

(R000)	2005	2004
9. Notes to the cash flow statement		
9.1 Taxation paid		
Amounts unpaid at 1 October	388	262
Amounts charged to income statement	1 492	984
Amounts unpaid at 30 September	(901)	(388)
	979	858
9.2 Dividends paid		
Amounts unpaid at 1 October	–	–
Amounts declared	1 500	1 100
Amounts unpaid at 30 September	–	–
	1 500	1 100

10. Additional information required in terms of the Collective Investment Schemes Control Act of 2002.

In terms of the Collective Investment Schemes Control Act, 2002, the Company is required to have a minimum capital of **R913 630**. At 30 September 2005 the capital balance was **R4 850 000**.

The cost of the investment in the unit portfolio of Allan Gray Property Trust at 30 September 2005 was R499 808 (2004: R499 808).

11. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

In respect of all financial instruments listed above, book value approximates fair value.

Exposure to interest rate, credit and liquidity risk arises in the normal course of business.

Credit risk management

Credit risk is considered to be minimal. Trade receivables consist of the service fee from Allan Gray Property Trust. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant credit risks.

Impairments are raised for all specific doubtful debts and at year-end management did not consider there to be any material credit risk exposure.

Liquidity risk management

Cash flows are monitored on a weekly basis to ensure that cash resources are adequate to meet funding requirements.

Fair values

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the balance sheet.

12. Related parties

Holding companies

The holding companies of Allan Gray Property Trust Management Limited are Allan Gray Limited (76 percent) and The Standard Bank of South Africa Limited (24 percent).

Identity of the related parties with whom material transactions have occurred

Allan Gray Property Trust Management Limited is the Manager of Allan Gray Property Trust in terms of the Collective Investment Schemes Control Act, 2002. Allan Gray Limited is the asset manager of the Company.

Type of related party transactions

A service fee has been received from Allan Gray Property Trust. The management company has paid administration fees to Allan Gray Limited.

All transactions between related parties have occurred at arms length.

Material related party transactions

Service fee – see Income Statement

Management and administration fees – see note 8

Directors' emoluments – see note 6

Directors' Report

for the year ended 30 September 2005

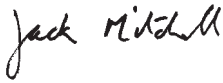
NATURE OF BUSINESS:	The Company continued with its business as the Manager for the Trust in terms of the Collective Investment Schemes Control Act, 2002.
GENERAL REVIEW:	The results for the year under review are reflected in the accompanying annual financial statements.
SHARE CAPITAL:	Details of the authorised and issued share capital of the Company appear in note 5 to the financial statements.
DIVIDENDS:	A dividend of R1.5 million (2004: R1.1 million) was declared during the year.
DIRECTORS:	The Directors of the Company are as follows: W J C Mitchell (Chairman) J D Rainier (Managing Director) D M Nurek G W Fury (alternate to WJC Mitchell) W T Fairhead W M Kirchmann S P McCoy E Osrin S Shaw-Taylor
MANAGERS AND SECRETARIES:	Broll Property Group (Proprietary) Limited
Business address:	2nd Floor, Broll House 27 Fricker Road Illovo 2196 Johannesburg
Postal address:	P O Box 1455 Saxonwold 2132
AUDITORS:	KPMG Inc. are reappointed in terms of section 270 of the Companies Act.
REGISTRATION NO:	1983/003324/06

Allan Gray Property Trust

Approval of the Annual Financial Statements

for the year ended 30 September 2005

The annual financial statements of Allan Gray Property Trust and Allan Gray Property Trust Management Limited, set out on pages 16 to 36, were approved on behalf of the Board of Directors of Allan Gray Property Trust Management Limited on 2 November 2005 and signed on their behalf by:



W J C Mitchell

Chairman

2 November 2005



J D Rainier

Managing Director

Certificate by Company Secretary

for the year ended 30 September 2005

We hereby certify that for the year ended 30 September 2005, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268 G(d) of the Companies Act, 1973, as amended, and all such returns are true, correct and up to date.

Broll Property Group (Proprietary) Limited

Secretaries

2 November 2005

Allan Gray Property Trust

Report of the Independent Auditors

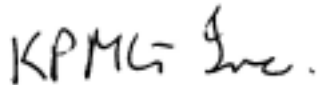
for the year ended 30 September 2005

To the unitholders of Allan Gray Property Trust and the members of Allan Gray Property Trust Management Limited

We have audited the annual financial statements set out on pages 16 to 36 for the year ended 30 September 2005. These financial statements are the responsibility of the management company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Allan Gray Property Trust and Allan Gray Property Trust Management Limited at 30 September 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Collective Investment Schemes Control Act and the Companies Act in South Africa.



KPMG Inc. —

Registered Accountants and Auditors

Chartered Accountants (SA)

Johannesburg

2 November 2005

Allan Gray Property Trust

Report of the Trustee

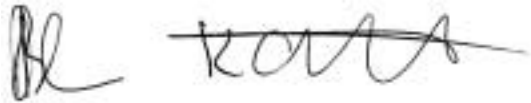
for the year ended 30 September 2005

in terms of section 70(1)(f) of the Collective Investment Schemes Control Act, 2002

To the unitholders of Allan Gray Property Trust

During the period as set out above during which the Collective Investments Schemes Control Act, 2002 has been in effect, the Trust has been administered in accordance with

- (i) the limitations imposed on the investment and borrowing powers of the Manager by the Act; and
- (ii) the provisions of the Act and Deed.



ABSA Bank Limited

Trustee

Johannesburg

10 October 2005

Unitholders' Diary

Financial year-end	30 September
Interim results announcement	May
Interim distribution paid	May
Final results announcement	November
Final distribution paid	November
Annual financial statements	December

