

ALLAN GRAY
PROPERTY TRUST

2006 Annual Report Allan Gray Property Trust



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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 Limited (JSE) regulates its trading regulations.

The Trust's portfolio of investments in retail, commercial and industrial properties, at 30 September 2006, was capitalised on the JSE at R5.1 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

| | 2006 | 2005 |
|---|---------------|-------|
| Distributions | | |
| Cents per unit | 39.0 | 35.0 |
| Growth | 11.4% | 8.7% |
| Average vacancy factor (based on lettable space) | 8% | 6% |
| Property portfolio valuations (Rm) | 5 492 | 4 372 |
| Funding capacity (Rm) | | |
| Maximum borrowings in terms of trust deed | 1 648 | 1 312 |
| Approved facility | 1 000 | 640 |
| Unutilised facility after capital commitments | 360 | 300 |
| Allan Gray Property Trust units (cents per unit) | | |
| Net asset value | 522 | 418 |
| Listed market price at year-end | 516 | 502 |
| Increase on previous year | 2.8% | 45.5% |
| (Discount)/Premium to net asset value | (1.2%) | 20.1% |
| FTSE/JSE Property Trust Index at year-end | 317.5 | 308.5 |
| Increase on previous year | 2.9% | 44.2% |

Directorate and Administration

Directors of Allan Gray Property Trust Management Limited

W J C Mitchell BCom (Chairman)

Director of Allan Gray Limited. Thirty-six years' experience in investment management, the last 19 of which have been with Allan Gray Limited.

J D Rainier BCom LLB (Managing Director)

Twenty-six years' experience in property management, the last 17 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 Hoffmann 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.

V A Christian BCom CTA CA (SA) #

Former partner at Ernst & Young and non-executive director of SA Post Office Limited and KVV Limited.

D D Govender BCom CA (SA), CFA

Director and portfolio manager of Allan Gray Limited and has experience analysing and researching the retail sector.

W M Kirchmann RQS, MAQS #

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

S P McCoy BCom CA (SA) #

Ten years' experience in property management with Allan Gray Limited.

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

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info@allangray.co.za

Allan Gray Property Trust

Manager's Report

The South African property market

Last year we commented that in terms of trade, South African imports in US Dollar terms were increasing much faster than exports. The inevitable consequence of this is now being felt with a large current account deficit leading to a substantially weaker rand and mounting inflationary pressures. As a result bond yields were sharply higher in the local market. The monetary authority's response has been to increase the repo rate with the likelihood of more increases to come. This has affected the pricing of listed property adversely and should naturally have the effect of increasing capitalisation rates for direct property as well.

Manufacturing volume is growing faster than a year ago which remains positive for the industrial sector of the property market. Nominal rentals in this sector, as shown in the table below, have achieved superior earnings growth.

Rode's Report (2006:3) shows the following percentage increases in nominal market rentals over the past year:

| Prime decentralised offices | | Prime industrial | |
|-----------------------------|----|-----------------------|----|
| Sandton CBD | 14 | Central Witwatersrand | 18 |
| Brooklyn/Waterkloof | 5 | East Rand | 13 |
| La Lucia Ridge | 14 | Cape Peninsula | 21 |
| Tygervalley | 5 | Durban Metro | 16 |
| | | Pretoria Metro | 42 |

Despite the rise in interest rates, Rode reports a continuing trend of declining capitalisation rates.

Vacancy rates in the office market have continued to decline, with SAPOA reporting national decentralised office vacancies at 4.5 percent, down from 5.7 percent in the previous quarter. This positive trend is also evident in the industrial market, where, apart from the Cape Peninsula, vacancies are below 5 percent.

The change in the quantum of non-residential buildings to June 2006 as reported by Rode is as follows (m²):

| | Offices | Shopping | Industrial |
|-------------------------------------|---------|----------|------------|
| 12 months to June 2006 | | | |
| (% change on a year earlier) | | | |
| Completed | 53.3 | 22.6 | -13.4 |
| Passed | 27.0 | 15.9 | 47.4 |
| 6 months to June 2006 | | | |
| (% change on a year earlier) | | | |
| Completed | 26.2 | 123.6 | -9.9 |
| Passed | 28.5 | -26.5 | 47.9 |

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

The table indicates that building completions in the office and shopping sectors have risen strongly over the past year. While industrial building completions have declined substantially, it is evident that this could turn sharply upwards given the level of plans passed. Reportedly, building cost inflation as measured by the BER building cost index is running currently at a meagre 5 percent which is difficult to explain given the strength of the market. Our expectation is for this to be revised upwards.

Turning to the retail market, sales in July grew 9.7 percent in real terms over the previous year, an improvement on the 3.2 percent growth of a year ago. Given the recent increase in short rates and the prospect of further rate hikes we would expect retail growth to soften.

Mean escalations in rentals have softened already to around 8 percent from the 9 to 10 percent range a year ago.

Initiatives and market developments during 2006

We continued with our programme of selling buildings that have inferior prospects whilst the redevelopment of certain properties continued. For details we refer you to the "Property portfolio" section set out on page 14.

This year also marked the signing of the Property Sector Transformation Charter in which we, together with the Association of Property Unit Trust Management Companies, played an important part. Many of the challenges in these negotiations centred on the unique legislative framework within which property unit trusts operate. This prevents them from complying with many of the requirements of the Charter and the DTI Codes of Good Practice. The outcome, which allows all "non-applicable" elements in the scorecard to be excluded in the calculation, while welcome, has put a much greater emphasis on the remaining elements as this essentially reduces the maximum points to 50, including a possible four bonus points. This means that the "ownership" element which carried a 20 percent total weighting now carries a 43 percent total weighting. There are two large stumbling blocks in the pursuit of this target. First, the ownership of units in property trusts in general and Allan Gray Property Trust in particular, currently comprises some 80 percent by indirect ownership vehicles. This is split approximately into 39 percent in collective investment schemes, 24 percent in retirement funds, 11 percent in life policies, 5 percent in offshore indirect ownership and the balance in charitable foundations, trusts and the like. The Association has made representations to the DTI for relief in this area as, without this, the target will be impractical to achieve. Secondly, unlike the Companies Act, which has been amended to facilitate broad-based black economic empowerment financing, no such facilitation is possible in terms of the Collective Investment Schemes Control Act. The Association intends approaching the Registrar of Collective Investment Schemes in an

attempt to find a way around this impasse. We do remain committed however to compliance with this social imperative in those areas in which we are able to.

With effect from 1 July 2006, the South African Revenue Services has exempted the trade in units of property trusts from uncertified securities tax. This has the effect of reducing the cost of these trades by 0.25 percent.

Performance and financial results

Our purpose is the creation of long-term wealth for our unitholders. Over the last six years to September 2006 the total return per annum generated by Allan Gray Property Trust compared with inflation has been as follows:

| (%) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 6-year compound % pa |
|---------------------------|------|------|------|------|------|------------|----------------------|
| Allan Gray Property Trust | 39.3 | 1.3 | 36.9 | 39.9 | 57.1 | 9.7 | 29.2 |
| Inflation | 4.4 | 11.2 | 3.7 | 1.3 | 4.4 | 5.3 | 5.0 |
| Real return | 34.9 | -9.9 | 33.2 | 38.6 | 52.7 | 4.4 | 23.7 |

(Source: I-Net Bridge)

Total distributions for the year to 30 September 2006 were R388.457 million, equivalent to 39.0 cents per unit (2005: 35.0 cents). The total distribution comprised an interim distribution of 19.3 cents (2005: 17.4 cents) and a final distribution of 19.7 cents (2005: 17.6 cents) to be paid on 27 November 2006. This is an 11.4 percent increase for the year.

Allan Gray Property Trust participates in the IPD South Africa annual benchmark survey which measures the performance of its underlying direct property portfolio against other listed funds. For 2005 Allan Gray Property Trust's total return was 53.9 percent compared with the benchmark of 33.8 percent. This was the second best performance out of 17 participants. In addition, Allan Gray Property Trust won the annual award for the best three-year performance for its office and industrial portfolios, making it the first fund to win in all three categories.

Vacancy levels

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

| Sector | 2006 | 2005 |
|------------|-----------|------|
| Retail | 8 | 5 |
| Offices | 5 | 9 |
| Industrial | 11 | 9 |
| Other | – | – |
| Total | 8 | 6 |

By area, vacancies were 6 percent at half-year. By value, the vacancies equated to 7 percent of potential rental income, a deterioration on the 5 percent as at half-year. This was largely expected for the following reasons:

In the retail sector 97 percent of the vacancies were contained in the following properties:

- The Brightwater Commons, where 14 000 m² are vacant following the completion of the final phase.
- The Boulders Shopping Centre, where the vacancies are concentrated in the lower level.
- Centurion Mall, where the refurbishment and extensions to the entertainment offering are taking place. However the bulk of these are let with occupation to be taken before the end of 2006.
- Benmore Gardens, where a redevelopment is taking place.

In the office sector, significant vacancies by area and value remain at Grayston Ridge where no improvement is envisaged in the short-term.

In the industrial sector significant vacancies exist in the following buildings:

- Degussa, in Midrand. The office component of 1 519 m² is vacant. The warehouse has been let on a temporary basis.
- Nashua, in Midrand. This 7 541 m² property has been vacant since June 2006.
- Metcash, in Epping, Cape Town. This 5 854 m² building was vacated in August 2006. It has been let on a short-term basis from November 2006.

During the past year 14 174 m² of new leases were signed in the office portfolio and 31 590 m² of leases were renewed, a total of 39 percent of the rentable area of the portfolio. The leases were concluded at a cost of 7 percent of the gross value, R96 million.

During the past year 24 469 m² of new leases were signed in the industrial portfolio and 41 957 m² of leases were renewed, a total of 33 percent of the rentable area of the portfolio. The leases were concluded at a cost of 3 percent of the gross value, R63 million.

Property portfolio

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

Sales

Properties with a carrying value of R60.8 million were sold. Proceeds from sales totalled R76.5 million as detailed overleaf.

Allan Gray Property Trust

Manager's Report

| Property | Proceeds (Rm) | Market value (Rm) | Profit % |
|---------------------------|------------------|----------------------|-------------|
| Saffer | 24 000 | 17 798 | 35 |
| Euro Park | 11 500 | 8 456 | 36 |
| Verona Industrial Park | 7 424 | 6 415 | 16 |
| Chamdor Factory | 6 000 | 4 849 | 24 |
| Eastlands Industrial Park | 5 563 | 4 511 | 23 |
| Prairie Industrial Park | 4 534 | 3 727 | 22 |
| Saxon Industrial Park | 4 500 | 4 309 | 4 |
| Westar Place | 3 000 | 2 454 | 22 |
| Westlands Industrial Park | 2 658 | 2 179 | 22 |
| Crescent Place | 2 500 | 1 866 | 34 |
| Thermo House | 2 305 | 1 800 | 28 |
| Custom Place | 1 300 | 1 237 | 5 |
| Rally Place | 1 239 | 1 208 | 3 |
| | 76 523 | 60 809 | 26 |

Capital projects

Significant capital projects and planned projects are:

N1 City Mall (58% share)

This project is practically complete at a final cost of R116 million with an initial yield of 10 percent. Sales in September were 30 percent higher than the previous year and 47 percent more people visited the centre.

The Boulders Shopping Centre

This project has been shelved for the time being while a revised tenant mix is being considered.

The Brightwater Commons

This project is now complete. Letting is progressing on the line shops but disappointingly not with national tenants. Negotiations with various prospective national tenants are ongoing however. The building was independently valued at R116.4 million and is expected to earn R11.7 million in the new year.

Douglas Roberts Centre

The construction of a parking garage and the refurbishment of the office tower at a total cost of R155 million continue, with completion due in October 2007. Murray and Roberts has entered into a new 10-year lease from completion. The initial rental is based on an 8.5 percent yield on R215 million with 7 percent per annum escalations.

Centurion Mall

Work has commenced on the R268 million extension and refurbishment of the Mall and the construction of additional parking. The expected completion date is September 2007 and the project is expected to generate an initial return of 9%. The works

include the purchase and refurbishment of Die Anker office block for R75 million which has been let to Pebble Bed Modular Reactor from September 2006 for a period of 5 years.

Valuation

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

| Sector | Value (Rm) | Cents/ unit | Forward EY (%) | % of portfolio | |
|----------------------|---------------|----------------|----------------------|-------------------|------|
| | | | | 2006 | 2005 |
| Retail | 4 169 | 419 | 8.3% | 76 | 76 |
| Office blocks | 631 | 63 | 10.0% | 12 | 10 |
| Industrial | 455 | 46 | 10.0% | 8 | 9 |
| Specialised | 237 | 24 | 9.2% | 4 | 5 |
| Total property | 5 492 | 552 | 8.7% | 100 | 100 |
| Long-term borrowings | (299) | (30) | | | |
| Net current assets | 5 | 1 | | | |
| | 5 198 | 523 | | | |

The net asset value per unit is 24.9 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 9.5 percent last year to 8.7 percent.

The portfolio is concentrated significantly in 14 properties making up 80 percent of the portfolio by value. The major properties are discussed below.

Retail portfolio

This portfolio consists of 414 832 m² of rentable area, of which 8 percent is vacant at year-end (5 percent 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 are for 100 percent of property):

- Centurion Mall (a 75 percent undivided share) totalling 110 533 m² with 86 933 m² of retail space and 23 600 m² of offices, including the Munpen and Die Anker office buildings adjoining the Mall. It is budgeted to contribute 21 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 and extensions are being conducted as set out in the section on Capital Projects above. 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. Sales growth for the year to 30 September was 18 percent (80 percent last year).

- 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-U's, Ster Kinekor, Hi-Fi Corporation and all the national fashion chains. Again during this year a number of changes were made to the tenancies to cater better for the changing demographics and shopper patterns being experienced. The aesthetic and functional alterations reported on last year have successfully given the Centre a revitalised image. Sales growth for the year to 30 September was 12 percent (2 percent last year).
- 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 wish to be in the centre but which cannot be accommodated. This will include the acquisition of 10 000 m² of extra bulk. Sales growth for the year to 30 September was 8 percent, the same as last year.
- Kenilworth Centre with 43 400 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 6 percent (5 percent last year).
- N1 City Mall (a 58 percent undivided share) with 63 959 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. The refurbishment and extension programme at a cost of R116 million has been completed. It is anticipated that it will give an incremental return of approximately 10 percent. This project has also provided an extra 250 parking bays to meet the growing demand for parking. Tenants who have occupied space in the extension include Truworhs, Foschini, Identity, Markham, Mr Price Sports and @Home who have all introduced their latest store designs. Sales growth for the year to 30 September was 7 percent (3 percent last year).
- The Boulders with a total of 47 829 m² of space, split into 40 501 m² of mall space, a furniture node and offices of 5 028 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 originally planned as an entertainment node but which was not successful under the previous owners. Plans to reconfigure and retenant the lower level are currently shelved. In addition, the medical centre has been reconfigured successfully as a furniture node.

- Bryanston Shopping Centre with 11 531 m² of retail space. It is budgeted to contribute 3 percent of property earnings in the new financial year. Major tenants in this neighbourhood centre are Checkers which was refurbished during the year and a Woolworths Food Store. Preliminary investigations remain under way 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. Work has commenced on major alterations to the Centre which are outlined in the section dealing with Capital Projects above.
- 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 1 percent (32 percent last year).
- The Brightwater Commons with 41 781 m² of space. It is budgeted to contribute 2 percent of property earnings in the new financial year and is commented on in the section dealing with Capital Projects above.

For more comprehensive details of this portfolio see page 14.

Commercial and industrial portfolio

The total area of the commercial and industrial portfolio is 318 557 m² with average vacancy levels at year-end of 9 percent, the same as last year. Of this, the office portfolio is 117 130 m² with an average vacancy of 5 percent (9 percent last year), and the industrial portfolio is 201 427 m² with an average vacancy of 11 percent (9 percent last year).

Allan Gray Property Trust

Manager's Report

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 8 percent vacant (10 percent last year).
- Douglas Roberts Centre which is a 16 941 m² office building in Bedfordview and which is budgeted to contribute 2 percent of property earnings in the new financial year. It is commented on further in the section dealing with Capital Projects above.
- Strijdom Industrial Park in Strijdom Park, Randburg, which is a 25 306 m² complex consisting of 45 units, is budgeted to contribute 2 percent of property earnings in the new financial year. The park is fully let (7 percent vacancy last year).

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

| | Rentable area (m ²) | Vacant area (%) | Monthly loss (R000) |
|-------------------------|------------------------------------|--------------------|------------------------|
| Offices | | | |
| Actual | | | |
| Grayston Ridge | 10 023 | 20 | 128 |
| Summit Park | 2 873 | 32 | 61 |
| AMR Office Park | 9 965 | 10 | 56 |
| | | | 245 |
| Potential* | | | |
| Grayston Ridge | 10 023 | 35 | 264 |
| NMG House | 2 267 | 100 | 125 |
| Rosebank Corner | 9 083 | 21 | 117 |
| AMR Office Park | 9 965 | 14 | 82 |
| | | | 588 |
| Industrial | | | |
| Actual | | | |
| Nashua | 7 541 | 100 | 377 |
| Metro | 5 854 | 100 | 125 |
| Degussa | 4 519 | 34 | 78 |
| Supreme Industrial Park | 31 255 | 12 | 70 |
| | | | 650 |
| | | | 1 483 |

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

Leasing activity for the year was as follows:

| | Offices | | Industrial | |
|------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Area (m ²) | % of year-end area | Area (m ²) | % of year-end area |
| Vacant | 10 822 | 9.2 | 21 342 | 10.6 |
| Sold | – | – | 1 802 | 0.9 |
| Vacated | 10 121 | 8.6 | 27 675 | 13.8 |
| New leases | 15 626 | 13.3 | 24 469 | 12.2 |
| Vacant at 30 Sept 2006 | 5 317 | 4.5 | 22 746 | 11.3 |
| Renewals 2yr plus | 29 716 | 25.4 | 21 088 | 10.5 |
| Renewals 1yr | 2 739 | 2.3 | 20 869 | 10.4 |

For more comprehensive details of this portfolio see pages 14 to 15.

Specialised portfolio

The specialised portfolio comprises two properties:

- Bedford Gardens Private Hospital. The lease with Life Healthcare Group has a further 16 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 five 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 | 36 | 4.1 | 4.9 |
| Foschini | 55 | 1.5 | 3.5 |
| Pick 'n Pay | 11 | 5.9 | 3.0 |
| Mr Price | 31 | 1.6 | 2.8 |
| Shoprite | 5 | 4.3 | 2.6 |
| Standard Bank | 20 | 1.3 | 2.5 |
| Ackermans | 23 | 1.3 | 2.3 |
| Life Healthcare Group | 2 | 1.8 | 2.3 |
| Woolworths | 6 | 2.8 | 2.0 |
| Southern Sun | 1 | 1.9 | 1.9 |
| The Government of SA | 3 | 2.2 | 1.7 |
| ABSA | 15 | 0.5 | 1.6 |
| Truworths | 15 | 0.9 | 1.5 |
| First National Bank | 15 | 0.6 | 1.4 |
| Masstores | 4 | 1.7 | 1.4 |
| New Clicks | 17 | 1.0 | 1.3 |
| Nedbank | 9 | 0.4 | 0.9 |
| Total | | 33.8% | 37.6% |

Cash funds

A new R1 billion facility was obtained from Standard Bank during the year to replace the existing R650 million facility. Capital commitments at year-end were R341.3 million. These will be funded by the sale of properties or from the approved loan facility. After the capital commitments the fund will have an unutilised facility of R359.7 million.

Units in issue

At year-end the number of units in issue was 996 043 081 (2005: 996 043 081).

Trading statement

The Board anticipates that distributions per unit for the year ending 30 September 2007 will increase by between 8 percent and 12 percent compared with the year ended 30 September 2006. 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 R28.81 million (2005: R22.51 million).

The Trust paid the following fees and commissions (excluding VAT) during 2006:

To Broll Property Group for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 19 879 | 17 610 |
| Letting fees | 3 097 | 3 845 |
| | 22 976 | 21 455 |

To Marriott Group for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 2 191 | 2 451 |
| Letting fees | – | 355 |
| | 2 191 | 2 806 |

To Motseng Marriott for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 842 | 1 336 |
| Letting fees | 176 | 364 |
| | 1 018 | 1 700 |

To Motseng Property Services for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 647 | – |
| Letting fees | 201 | – |
| | 848 | – |

To McWilliam Murray Realty for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 668 | 621 |
| Letting fees | 157 | 49 |
| | 825 | 670 |

To JHI Real Estate for:

| (R000) | 2006 | 2005 |
|---------------------|-------------|-------------|
| Administration fees | 25 | 564 |
| Letting fees | 208 | 230 |
| | 233 | 794 |

Asset management fees of R21.607 million (2005: R16.882 million) and administration fees of R0.895 million (2005: R0.852 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 | 6 396 | 99.96 |
| Non-public | 3 | 0.04 |

The non-public unitholders are two 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, no single shareholder is registered as being interested beneficially 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 |
|--------------------------|----------------|
| Stanlib | >10% |
| Coronation Fund Managers | >10% |
| Allan Gray clients | <10% |
| Old Mutual | <10% |

Directors' interests in Allan Gray Property Trust:

| | Beneficial holding | Movement |
|----------------|---------------------------|-----------------|
| W J C Mitchell | – | – |
| J D Rainier | 120 000 | – |
| V A Christian | – | – |
| G W Fury | – | – |
| D D Govender | – | – |
| W M Kirchmann | 64 295 | – |
| S P McCoy | – | – |
| D M Nurek | – | – |
| S Shaw-Taylor | – | – |

Allan Gray Property Trust

Manager's Report

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 Allan Gray Property Trust Management Limited 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 Allan Gray Property Trust Management Limited have employees or an administrative infrastructure of their own, having contracted out these functions to third parties.

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

Board of Directors

During the year Messrs Bill Fairhead and Eliot Osrin retired from the Board after many years of valuable service. We thank them for their past contributions which have impacted positively on the affairs of Allan Gray Property Trust Management Limited and Allan Gray Property Trust.

The Board of Directors consists of eight members 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 Managing Director 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, and Mrs Govender as salaried employees of the holding company, are not independent non-executive Directors nor is Mr Shaw-Taylor as an employee of the other shareholder, which in addition has significant business relationships with the Trust. Messrs Christian, Kirchmann and Nurek 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 advisers, should they so require.

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

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 Christian (as Chairman) and Kirchmann, both independent non-executive Directors, and Mr McCoy. All the members except Mr Kirchmann (1 absence) attended all meetings required of them. 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 responsibility as well as the corporate governance and reporting responsibilities. The Company and the Trust have access to the internal audit functions of its contracted third-party managers.

The external audit firm performs no non-audit services for the Company or the Trust.

Risk Management is the responsibility of the Board. In the Trust the 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 Asset Manager; 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.

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 International Financial Reporting Standards. 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.

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 2006

Salient Features

Financial summary

| (R000) | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-----------------|----------|----------|----------|----------|---------|---------|
| Net contractual property income | 421 977 | 374 260 | 330 564 | 278 957 | 303 303 | 174 228 | 160 575 |
| Interest received | 21 476 | 20 035 | 30 407 | 45 823 | 25 587 | 15 183 | 17 360 |
| Interest paid | (23 602) | (20 758) | (22 913) | (31 444) | (30 176) | – | – |
| | 419 851 | 373 537 | 338 058 | 293 336 | 298 714 | 189 411 | 177 935 |
| Trust audit fees, service charges and taxes | (31 394) | (24 880) | (17 332) | (15 296) | (12 941) | (8 039) | (6 257) |
| | 388 457 | 348 657 | 320 726 | 278 040 | 285 773 | 181 372 | 171 678 |
| Transfer from/(to) maintenance reserve | – | – | – | 9 597 | – | 3 144 | (1 618) |
| Income distributions | 388 457 | 348 657 | 320 726 | 287 637 | 285 773 | 184 516 | 170 060 |
| Distribution per unit (cents) | 39.00 | 35.00 | 32.20 | 30.90 | 30.70 | 30.70 | 28.90 |
| Weighted average number of units in issue during the period (000) | 996 043 | 996 043 | 996 043 | 930 858 | 930 858 | 600 747 | 588 442 |
| Growth in distribution (%) | 11.4 | 8.7 | 4.2 | 0.7 | – | 6.2 | 3.2 |

Sectoral spread

| | Contractual rent | | | | Market value | | | |
|-------------|------------------|------------|---------|-----|------------------|------------|-----------|-----|
| | 2006 | | 2005 | | 2006 | | 2005 | |
| | (R000) | % | (R000) | % | (R000) | % | (R000) | % |
| Retail | 383 875 | 70 | 347 125 | 68 | 4 168 585 | 76 | 3 310 052 | 76 |
| Offices | 80 163 | 15 | 81 383 | 16 | 631 306 | 12 | 450 107 | 10 |
| Industrial | 60 941 | 11 | 60 084 | 12 | 455 175 | 8 | 414 168 | 9 |
| Specialised | 20 269 | 4 | 18 861 | 4 | 236 755 | 4 | 197 404 | 5 |
| | 545 248 | 100 | 507 453 | 100 | 5 491 821 | 100 | 4 371 731 | 100 |

Geographic spread

| | Contractual rent | | | | Market value | | | |
|----------------------|------------------|------------|---------|-----|------------------|------------|-----------|-----|
| | 2006 | | 2005 | | 2006 | | 2005 | |
| | (R000) | % | (R000) | % | (R000) | % | (R000) | % |
| Greater Johannesburg | 316 781 | 58 | 303 603 | 61 | 2 758 925 | 50 | 2 384 476 | 55 |
| Cape Town | 115 711 | 21 | 113 437 | 22 | 1 324 784 | 24 | 1 021 168 | 23 |
| Tshwane | 97 362 | 18 | 75 993 | 14 | 1 298 352 | 24 | 878 159 | 20 |
| Durban | 15 394 | 3 | 14 420 | 3 | 109 760 | 2 | 87 928 | 2 |
| | 545 248 | 100 | 507 453 | 100 | 5 491 821 | 100 | 4 371 731 | 100 |

Salient Features

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

| | Total % | Vacant % | 2007 % | 2008 % | 2009 % | 2010 % | 2011 % | >2011 % |
|----------------|------------|-------------|-----------|-----------|-----------|-----------|-----------|------------|
| Retail | 100 | 8 | 19 | 11 | 17 | 17 | 10 | 18 |
| Offices | 100 | 5 | 32 | 20 | 12 | 4 | 9 | 18 |
| Industrial | 100 | 11 | 39 | 24 | 15 | 6 | 2 | 3 |
| Specialised | 100 | – | – | – | – | – | 52 | 48 |
| Overall | 100 | 8 | 26 | 16 | 15 | 11 | 9 | 15 |

Analysis of lease expiries and reviews as a percentage of gross rental

| | Total % | 2007 % | 2008 % | 2009 % | 2010 % | 2011 % | >2011 % |
|----------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| Retail | 100 | 22 | 16 | 22 | 16 | 13 | 11 |
| Offices | 100 | 34 | 24 | 15 | 2 | 12 | 13 |
| Industrial | 100 | 40 | 28 | 18 | 8 | 3 | 3 |
| Specialised | 100 | – | – | – | – | 48 | 52 |
| Overall | 100 | 25 | 18 | 19 | 13 | 13 | 12 |

Summary of stock exchange prices

| 2005/2006 | Highest cents | Lowest cents | Last transaction cents | Volumes traded (000) |
|-----------|------------------|-----------------|------------------------------|----------------------------|
| October | 525 | 487 | 499 | 34 014 |
| November | 518 | 475 | 500 | 40 041 |
| December | 555 | 500 | 547 | 46 165 |
| January | 617 | 544 | 590 | 23 719 |
| February | 645 | 550 | 615 | 21 891 |
| March | 675 | 610 | 675 | 29 986 |
| April | 680 | 640 | 645 | 17 339 |
| May | 675 | 558 | 568 | 27 904 |
| June | 600 | 465 | 480 | 75 111 |
| July | 530 | 451 | 475 | 81 722 |
| August | 549 | 465 | 531 | 37 143 |
| September | 535 | 490 | 516 | 49 570 |

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 | 82 900 | 1 236 397 | 22.5 | |
| Westgate Shopping Centre (41.32 percent) | Ontdekkers Road, Roodepoort | 43 908 | 573 758 | 10.5 | |
| The Boulders Shopping Centre | Old Pretoria Road, Midrand | 47 829 | 318 969 | 5.8 | |
| Bryanston Shopping Centre | Hobart Road, Bryanston | 11 531 | 161 801 | 3.0 | |
| Benmore Gardens Shopping Centre | Benmore Road, Sandton | 18 231 | 150 619 | 2.7 | |
| Southgate Mall (15.97 percent) | Rifle Range Road, Mondeor | 11 024 | 150 471 | 2.7 | |
| The Brightwater Commons | Republic Road, Randburg | 41 781 | 116 401 | 2.1 | |
| Northmead Mall | 1st Street, Northmead, Benoni | 14 154 | 60 645 | 1.1 | |
| Rosebank Mews | 173 Oxford Road, Rosebank | 7 317 | 45 127 | 0.8 | |
| Dekema Mall | Dekema Road, Wadeville, Germiston | 4 632 | 23 994 | 0.4 | |
| Southgate Value Market (19.01 percent) | Rifle Range Road, Mondeor | 3 650 | 15 748 | 0.3 | |
| Western Cape | | | | | |
| Blue Route Mall | Tokai Road, Tokai, Cape Town | 47 379 | 530 700 | 9.7 | |
| Kenilworth Centre | Doncaster Road, Kenilworth | 43 400 | 398 885 | 7.3 | |
| N1 City Mall (58 percent) | Louwtjie Rothman Street, Goodwood | 37 096 | 385 070 | 7.0 | |
| Total retail | | 414 832 | 4 168 585 | 75.9 | 418.5 |
| OFFICE BLOCKS | | | | | |
| Gauteng | | | | | |
| Douglas Roberts Centre | 22 Skeen Boulevard, Bedfordview | 16 941 | 80 955 | 1.5 | |
| Grayston Ridge Office Park | 144 Katherine Street, Sandown, Sandton | 10 023 | 75 540 | 1.4 | |
| Rosebank Corner | Jan Smuts Avenue, Rosebank | 9 083 | 56 544 | 1.0 | |
| AMR Office Park | Concorde Road, Bedfordview | 9 965 | 53 962 | 1.0 | |
| Dunkeld Office Park | 6 North Road, Dunkeld West | 5 480 | 53 578 | 1.0 | |
| Kimberley-Clark House | Leicester Road, Bedford Gardens | 6 017 | 37 694 | 0.7 | |
| 240 Walker Street | Sunnyside, Pretoria | 7 807 | 35 891 | 0.7 | |
| The Ambridge | Vrede Avenue, Epsom Downs | 4 407 | 29 458 | 0.5 | |
| 260 Walker Street | Sunnyside, Pretoria | 5 279 | 26 064 | 0.5 | |
| Sunridge (75 percent) | 62 Wierda Road East, Wierda Valley | 2 930 | 24 908 | 0.5 | |
| Summit Park | 439 Summit Road, Morningside | 2 873 | 18 176 | 0.4 | |
| Human Rights House (Ex-PSG House) | 29 Princess of Wales Terrace, Parktown | 5 176 | 15 243 | 0.3 | |
| 377 Rivonia Boulevard | Rivonia | 4 259 | 13 628 | 0.2 | |
| Lakeside Place | Queen Street, Bruma | 3 315 | 12 146 | 0.2 | |
| 271 Oak Avenue | Ferndale, Randburg | 3 517 | 10 484 | 0.2 | |
| N.M.G House | 256 Kent Avenue, Randburg | 2 267 | 8 062 | 0.1 | |
| 22 Wellington Road | Parktown | 3 228 | 8 007 | 0.1 | |
| Wierda Mews | 41 Wierda Road, Wierda Valley | 2 217 | 7 433 | 0.1 | |
| RPA Centre | 180 Smit Street, Fairland | 1 716 | 6 275 | 0.1 | |
| KwaZulu-Natal | | | | | |
| Delmat House | 27 Jan Hofmeyr Road, Westville | 3 915 | 24 941 | 0.5 | |
| Essex Park | 46 Essex Terrace, Berea West, Westville | 4 344 | 18 776 | 0.3 | |
| Kent House | 1 Neptune Road, Berea West, Westville | 2 371 | 13 541 | 0.2 | |
| Total offices | | 117 130 | 631 306 | 11.5 | 63.4 |

| 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 | 84 632 | 1.5 | |
| Strijdom Industrial Park | Hammer Avenue, Strijdompark, Randburg | 25 306 | 79 897 | 1.4 | |
| Supreme Industrial Park | Klipriversberg Road, Steeledale | 31 255 | 54 483 | 1.0 | |
| Nashua House | Old Pretoria Road, Midrand | 7 541 | 22 645 | 0.4 | |
| Degussa | 142 16th Road, Midrand | 4 519 | 16 894 | 0.3 | |
| Pick 'n Pay Warehouse | Nasmith Road, Jupiter Ext. 1, Germiston | 10 540 | 13 503 | 0.2 | |
| Dismed House | 733/747 16th Road, Midrand | 2 871 | 10 642 | 0.2 | |
| Gateway Industrial Park | Graniet Street, Jet Park | 4 805 | 9 997 | 0.2 | |
| Delta | Old Pretoria Road, Midrand | 1 504 | 8 960 | 0.2 | |
| Fourways Haulage | Ronbex Road, Activia Park, Germiston | 11 959 | 8 083 | 0.1 | |
| Canberra Industrial Park | Derick Coetzee Street, Jet Park | 2 621 | 6 521 | 0.1 | |
| Strike House | Richards Drive, Halfway House | 1 880 | 5 939 | 0.1 | |
| Monit House | Van der Bijl Street, Meadowdale | 1 985 | 5 330 | 0.1 | |
| Mercury Park | Piet Bekker Street, Jet Park | 2 107 | 5 154 | 0.1 | |
| Jay Park | Piet Bekker Street, Jet Park | 2 264 | 4 941 | 0.1 | |
| Astro Place | Van der Bijl Street, Meadowdale | 1 876 | 4 871 | 0.1 | |
| Cenmag House | Hertz Drive, Meadowdale | 2 030 | 4 856 | 0.1 | |
| The House Of Rubber | Crusher Road, Crown Extension | 2 266 | 4 603 | 0.1 | |
| Humsa House | Graniet Street, Jet Park | 2 113 | 4 602 | 0.1 | |
| Staceylee Industrial Park | Derick Coetzee Street, Jet Park | 1 876 | 4 571 | 0.1 | |
| Cyrus House | Innes Road, Jet Park | 2 068 | 4 286 | 0.1 | |
| Lifetime House | Kelly Road, Jet Park | 1 801 | 3 896 | 0.1 | |
| Orion Place | Piet Bekker Street, Jet Park | 1 519 | 3 474 | 0.1 | |
| Hydra Park | Piet Bekker Street, Jet Park | 1 643 | 3 377 | 0.1 | |
| Dale House | Cnr Bell & Fleming Streets, Meadowdale | 1 308 | 3 318 | 0.1 | |
| Ventura Industrial Park | Derick Coetzee Street, Jet Park | 1 402 | 3 314 | 0.1 | |
| Gail Industrial Park | Patrick Road, Jet Park | 1 504 | 3 249 | 0.1 | |
| Medsave House | Fabriek Street, Strijdom Park | 2 113 | 2 758 | 0.1 | |
| Zero Park | Fabriek Street, Strijdom Park | 1 180 | 2 497 | 0.0 | |
| Precision House | Precision Road, Kya Sand | 604 | 1 251 | 0.0 | |
| KwaZulu-Natal | | | | | |
| Murrayfield | Prospecton Road, Prospecton | 16 869 | 35 527 | 0.6 | |
| 4 Walter Place | Watervalpark, Mayville | 8 242 | 16 975 | 0.3 | |
| Western Cape | | | | | |
| Metro Cash and Carry | 7 Benbow Avenue, Epping 1 | 5 854 | 10 129 | 0.1 | |
| Total industrial | | 201 427 | 455 175 | 8.3 | 45.7 |
| SPECIALISED | | | | | |
| Gauteng | | | | | |
| Bedford Gardens Private Hospital | Leicester Road, Bedford Gardens | 12 817 | 144 944 | 2.6 | |
| Johannesburg Airport Holiday Inn | Kempton Park | 14 152 | 91 811 | 1.7 | |
| Total specialised | | 26 969 | 236 755 | 4.3 | 23.8 |
| Total property portfolio of Grayprop | | 760 358 | 5 491 821 | 100 | 551.4 |

Balance Sheet

as at 30 September 2006

| (R000) | Notes | 2006 | 2005 |
|---|-------|------------------|-----------|
| ASSETS | | | |
| Property assets | | 5 491 821 | 4 371 731 |
| Investment properties | 2 | 5 281 738 | 4 153 081 |
| Straight-line lease accrual | 3 | 210 083 | 218 650 |
| Other current assets | | 279 015 | 264 482 |
| Trade and other receivables | 4 | 24 561 | 26 972 |
| Cash and cash equivalents | 5 | 254 454 | 237 510 |
| Total assets | | 5 770 836 | 4 636 213 |
| UNITHOLDERS' FUNDS AND LIABILITIES | | | |
| Unitholders' funds | | 5 198 076 | 4 161 965 |
| Capital of the fund | 6 | 1 933 354 | 1 933 354 |
| Capital reserve | | 470 243 | 421 754 |
| Revaluation reserve | | 2 584 336 | 1 588 147 |
| Retained earnings | | 210 143 | 218 710 |
| Non-current liabilities | | | |
| Interest-bearing liability | 7 | 299 000 | 229 000 |
| Current liabilities | | 273 760 | 245 248 |
| Trade and other payables | | 77 540 | 69 944 |
| Unitholders for distribution | | 196 220 | 175 304 |
| Total unitholders' funds and liabilities | | 5 770 836 | 4 636 213 |

Income Statement

for the year ended 30 September 2006

| (R000) | Notes | 2006 | 2005 |
|--|-------|------------------|-----------|
| Revenue | | 539 512 | 542 213 |
| Contractual rental income | | 545 248 | 507 453 |
| Straight-line lease adjustment | 2, 3 | (5 736) | 34 760 |
| Expenses | | (154 665) | (158 073) |
| Administrative expenses | 8 | (31 394) | (24 880) |
| Property operating expenses | 8 | (123 271) | (133 193) |
| Operating profit | | 384 847 | 384 140 |
| Net finance costs | | (2 126) | (723) |
| Interest received | | 21 476 | 20 035 |
| Interest paid | | (23 602) | (20 758) |
| Profit on disposal of investment properties | 9 | 15 714 | 16 247 |
| Fair value adjustments to investment properties | 2 | 1 026 133 | 1 144 116 |
| Profit for the year | | 1 424 568 | 1 543 780 |
| Basic earnings per unit (cents) | 13 | 143.0 | 155.0 |

Statement of Changes in Unitholders' Funds

for the year ended 30 September 2006

| (R000) | Capital of the fund | Capital reserve | Revaluation reserve | Retained earnings | Total unitholders' funds |
|---|---------------------|-----------------|---------------------|--------------------|--------------------------|
| Balance as at 1 October 2004 | 1 933 354 | 400 265 | 449 273 | 183 908 | 2 966 800 |
| Profit/Total income and expenses for the year | | | | 1 543 780 | 1 543 780 |
| Profit and revaluation reserve realised on sale of properties transferred to capital reserve | | 21 489 | (5 242) | (16 247) | – |
| Fair value adjustment on investment properties transferred 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 |
| Profit/Total income and expenses for the year | | | | 1 424 568 | 1 424 568 |
| Profit and revaluation reserve realised on sale of properties transferred to capital reserve | | 48 489 | (29 944) | (18 545) | – |
| Fair value adjustment on investment properties transferred to revaluation reserve | | | 1 026 133 | (1 026 133) | – |
| Income distributions | | | | (388 457) | (388 457) |
| Balance at 30 September 2006 | 1 933 354 | 470 243 | 2 584 336 | 210 143 | 5 198 076 |

Cash Flow Statement

for the year ended 30 September 2006

| (R000) | Notes | 2006 | 2005 |
|--|-------|-----------------|-------------|
| Cash effects from operating activities | | | |
| Profit for the year | | 1 424 568 | 1 543 780 |
| Adjustments for: | | | |
| Straight-line lease adjustment | | 5 736 | (34 760) |
| Interest received | | (21 476) | (20 035) |
| Interest paid | | 23 602 | 20 758 |
| Profit on disposal of investment properties | | (15 714) | (16 247) |
| Fair value adjustments to investment properties | | (1 026 133) | (1 144 116) |
| | | 390 583 | 349 380 |
| Trade and other receivables reduced | | 2 411 | 5 200 |
| Trade and other payables raised | | 7 596 | 17 105 |
| Cash generated from the operations | | 400 590 | 371 685 |
| Interest received | | 21 476 | 20 035 |
| Interest paid | | (23 602) | (20 758) |
| Income distributions | 11 | (367 541) | (338 654) |
| Cash flows from operating activities | | 30 923 | 32 308 |
| Cash effects from investing activities | | | |
| Additions to investment properties | | (160 502) | (104 140) |
| Proceeds from disposal of investment properties | | 76 523 | 61 031 |
| | | (83 979) | (43 109) |
| Cash effects from financing activities | | | |
| Long-term loan raised | | 123 000 | 37 443 |
| Long-term loan repaid | | (53 000) | (23 000) |
| | | 70 000 | 14 443 |
| Net increase in cash and cash equivalents | | 16 944 | 3 642 |
| Cash and cash equivalents at 1 October | | 237 510 | 233 868 |
| Cash and cash equivalents at 30 September | 5 | 254 454 | 237 510 |

Notes to the Annual Financial Statements

as at 30 September 2006

1. Accounting policies

Allan Gray Property Trust (the Trust) is a trust domiciled in South Africa. The financial statements were authorised for issue by the Directors of Allan Gray Property Trust Management Limited on 2 November 2006.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Standards Board and the requirements of the Collective Investment Schemes Control Act. This is the first set of financial statements prepared in accordance with IFRS. No adjustments have arisen from the conversion to IFRS.

1.2 Basis of preparation

The financial statements are presented in Rands. They are prepared on the historical cost basis, except for investment properties and certain financial instruments which are stated at fair value. Fair value adjustments (where applicable) do not affect the calculation of distributable earnings but do affect the net asset value per unit to the extent that adjustments are made to the carrying values of assets and liabilities.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources. Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value for disclosure purposes. Actual results may differ from these estimates.

The accounting policies set out below are consistent in all material respects with those applied in prior years.

1.3 Investment properties

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

Properties are stated initially at cost on acquisition, which 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.

Subsequent to initial recognition investment properties are measured at their fair values. Fair value is determined annually by an independent valuer based on the open market value basis, using either the discounted cash flow method or the capitalisation of net income method. Gains or losses arising from changes in fair value are included in profit or loss for the period in which they arise. These gains or losses are transferred to a revaluation reserve as they are not available for distribution.

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 sum of the carrying amount of the property and the straight-line lease accrual. 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.

1.4 Impairment

The carrying amounts of the Trust's assets, other than investment property, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the period in which they are incurred.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and the fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.5 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 Trust's access bond facility, all of which are available for use by the Trust.

Cash and cash equivalents are measured at fair value.

1.6 Financial instruments

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Measurement

Financial instruments are initially measured at fair value, which includes transaction costs, except in the case of financial instruments carried at fair value through profit and loss. Subsequent to the initial recognition these instruments are measured as set out below:

- **Trade and other receivables**

Trade and other receivables are carried at amortised cost, using the effective interest rate method after deducting accumulated impairment losses.

- **Other investments in debt and equity**

The Trust classified its investments in debt and equity securities into the following categories:

- at fair value through profit and loss;
- 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.

Financial assets classified as at fair value through profit and loss and available-for-sale are held at fair value which is the market price at the reporting date.

- **Trade and other payables**

Trade and other payables are carried at cost.

- **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.

Changes in fair value on subsequent measurement

Changes in fair value on subsequent measurement of financial assets classified as:

- at fair value through profit and loss are recognised in profit and loss; and
- available-for-sale are recognised directly in equity, other than changes related to impairment losses, which are recognised in profit and loss.

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.

1.7 Capital reserve

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

Notes to the Annual Financial Statements

as at 30 September 2006

1.8 Revaluation reserve

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

1.9 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.

1.10 Interest income

Interest income 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.

1.11 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 of shopping centres;
- Office segment comprising mainly of office parks and office buildings;
- Industrial segment comprising mainly of industrial buildings such as warehouses and factories;
- Specialised segment comprising of a hospital and a hotel; and
- Corporate segment comprising of all assets and expenses not directly attributable to the other segments.

On a secondary basis, the geographical 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.

| (R000) | 2006 | 2005 |
|--|------------------|-----------|
| 2. Investment properties | | |
| Independent property valuations | 5 491 821 | 4 371 731 |
| Straight-line lease accrual | (210 083) | (218 650) |
| Investment properties at fair value | 5 281 738 | 4 153 081 |
| Movement for the year | | |
| Balance at 1 October | 4 153 081 | 2 949 609 |
| Expenditure/costs capitalised | 160 502 | 104 140 |
| Carrying amount of investment properties disposed of | (57 978) | (44 784) |
| Fair value adjustments | 1 026 133 | 1 144 116 |
| Unrealised surplus on revaluation of investment properties | 1 020 397 | 1 178 876 |
| Change in straight-line lease accrual | 5 736 | (34 760) |
| Balance at 30 September | 5 281 738 | 4 153 081 |
| With the exception of six investment properties which are partially held – (see property portfolio on page 14), 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 2006 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 | 183 728 | 188 756 |
| Current receivable | 26 355 | 29 894 |
| | 210 083 | 218 650 |
| Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the terms of the leases. Lease incentives granted are recognised as an integral part of the total rental income. | | |
| 4. Trade and other receivables | | |
| Rent debtors | 13 690 | 14 931 |
| Prepayments | 4 354 | 3 897 |
| Other debtors | 6 517 | 8 144 |
| | 24 561 | 26 972 |
| 5. Cash and cash equivalents | | |
| Deposits at banks | 1 454 | 8 510 |
| Deposits in access bond (see note 7) | 253 000 | 229 000 |
| | 254 454 | 237 510 |

Notes to the Annual Financial Statements

as at 30 September 2006

| (R000) | 2006 | 2005 |
|--|------------------|-----------|
| 6. Capital of the fund | | |
| Balance at 30 September | 1 933 354 | 1 933 354 |
| Units in issue at 30 September 2006 – 996 043 081 (2005: 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 | 299 000 | 229 000 |
| 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. The loan bears interest at the lower of prime less 1.75 percent, the B.A. rate plus reserving costs plus 1.2 percent and fixed at the Trust's election, payable monthly in arrears. The capital of the loan is repayable by an instalment of R150 000 000 on 30 September 2010 and R149 000 000 on 30 September 2016. The Standard Bank of South Africa Limited is entitled and reserves the right to register First Covering Mortgage over the properties for a total amount of R1.26 billion. | | |
| 8. Income and expenditure | | |
| 8.1 Administrative expenses include: | | |
| Audit fees | 592 | 531 |
| Service fee paid to the Manager | 28 810 | 22 510 |
| 8.2 Property operating expenses include: | | |
| Property management fees | 24 257 | 22 550 |
| 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. | | |
| 9. Profit on disposal of investment properties | | |
| Profit on disposal of investment properties | 15 714 | 16 247 |
| | 15 714 | 16 247 |

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

| (R000) | Market value | Proceeds | Surplus on disposal |
|-----------------------------|---------------|---------------|---------------------|
| 2006 | | | |
| – Saffer | 17 798 | 24 000 | 6 202 |
| – Euro Park | 8 456 | 11 500 | 3 044 |
| – Verona Industrial Park | 6 415 | 7 424 | 1 009 |
| – Chamdor Factory | 4 849 | 6 000 | 1 151 |
| – Eastsands Industrial Park | 4 511 | 5 563 | 1 052 |
| – Prairie Industrial Park | 3 727 | 4 534 | 807 |
| – Saxon Industrial Park | 4 309 | 4 500 | 191 |
| – Westar Place | 2 454 | 3 000 | 546 |
| – Westsands Industrial Park | 2 179 | 2 658 | 479 |
| – Crescent Place | 1 866 | 2 500 | 634 |
| – Thermo House | 1 800 | 2 305 | 505 |
| – Custom Place | 1 237 | 1 300 | 63 |
| – Rally Place | 1 208 | 1 239 | 31 |
| | 60 809 | 76 523 | 15 714 |

| (R000) | Market value | 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 |

| (R000) | 2006 | 2005 |
|---|--------------------|-------------|
| 10. Taxation | | |
| 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. | | |
| 11. Notes to the cash flow statement | | |
| Income distributions | | |
| Amounts unpaid at 1 October | (175 304) | (165 343) |
| Distributable income for the year | (388 457) | (348 615) |
| Amounts unpaid at 30 September | 196 220 | 175 304 |
| | (367 541) | (338 654) |
| 12. Income distribution per unit | | |
| Income distribution per unit is calculated based on distributable earnings of R388.5 million for the year ended 30 September 2006 (2005: R348.6 million) and on a weighted average number of units in issue of 996 043 081 (2005: 996 043 081). | | |
| Distribution income reconciliation | | |
| Profit for year | 1 424 568 | 1 543 780 |
| Straight-line lease adjustment | 5 736 | (34 760) |
| Profit on disposal of investment properties | (15 714) | (16 247) |
| Fair value adjustments to investment properties | (1 026 133) | (1 144 116) |
| Retained earnings | – | (42) |
| Distribution income | 388 457 | 348 615 |
| Income distribution | | |
| Interim distribution | 192 237 | 173 311 |
| Final distribution | 196 220 | 175 304 |
| | 388 457 | 348 615 |
| 13. Basic and headline earnings per unit | | |
| Basic earnings per unit is calculated based on earnings of R1 424.6 million for the year ended 30 September 2006 (2005: R1 543.8 million) and on a weighted average number of units in issue of 996 043 081 (2005: 996 043 081). | | |
| Headline earnings per unit is calculated based on earnings of R382.7 million for the year ended 30 September 2006 (2005: R383.4 million) and on a weighted average number of units in issue of 996 043 081 (2005: 996 043 081). | | |
| Headline earnings reconciliation | | |
| Profit for the year | 1 424 568 | 1 543 780 |
| Profit on disposal of investment properties | (15 714) | (16 247) |
| Fair value adjustments to investment properties | (1 026 133) | (1 144 116) |
| Headline earnings | 382 721 | 383 417 |

Notes to the Annual Financial Statements

as at 30 September 2006

| (R000) | 2006 | 2005 |
|--|------------------|-----------|
| 14. Operating lease rentals | | |
| As at 30 September 2006, the Trust had contracted with tenants for the following future minimum lease rentals: | | |
| Within one year | 461 581 | 438 591 |
| In the second to fifth years inclusive | 953 891 | 976 364 |
| After five years | 500 400 | 239 456 |
| Total future minimum lease rentals | 1 915 872 | 1 654 411 |

15. Capital commitments

As at 30 September 2006 the capital contractual commitments were R341.3 million (2005: R121.1 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 2006 were R299 million (2005: R229 million) which is 5.4 percent (2005: 5.2 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 R2.7 million (2005: R2.9 million).

19. Subsequent events

The Directors are not aware of any events subsequent to 30 September 2006, 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, carrying 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. Management has a credit policy in place. Trade receivables consist of a large widespread tenant base. The outstanding balance 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) | 2006 | 2005 |
|--|----------------|-----------|
| Interest rate risk management | | |
| The company's exposure to interest rate risk and the interest rates on financial instruments at balance sheet date were: | | |
| Financial assets | | |
| Accounts receivables | 24 561 | 26 972 |
| Cash and cash equivalents | 254 454 | 237 510 |
| Total financial assets | 279 015 | 264 482 |
| Financial liabilities | | |
| Unsecured loan from The Standard Bank of South Africa Limited. | 299 000 | 229 000 |
| Floating 1.75 percent points below prime (2005: 1.5 percent points below prime) | 9.75% | 9.00% |
| Accounts payable | 77 540 | 69 944 |
| Unitholders for distribution | 196 220 | 175 304 |
| Total financial liabilities | 572 760 | 474 248 |
| Liquidity risk management | | |
| Cash flows are monitored on a weekly basis to ensure that cash resources are adequate to meet funding requirements. | | |
| The Trust's borrowings are limited by the Trust Deed to 30% of the value of the property portfolio. | | |
| Value of property portfolio | 5 491 821 | 4 371 731 |
| 30% thereof | 1 647 546 | 1 311 519 |
| Total borrowings | (299 000) | (229 000) |
| Unutilised borrowing capacity | 1 348 546 | 1 082 519 |
| 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 | | |
| Related party transactions for the year: | | |
| – Service fee paid to Allan Gray Property Trust Management Limited | 28 810 | 22 510 |
| The Standard Bank of South Africa Limited | | |
| Relationship: Shareholder in Allan Gray Property Trust Management Limited | | |
| Related party transactions for the year: | | |
| – Loan | 299 000 | 229 000 |
| – Interest on loan | 23 602 | 20 758 |
| – Interest income | 21 170 | 18 947 |
| – Bank charges | 221 | 213 |
| – Gross rent received | 11 938 | 12 294 |
| – Sponsor fee | 55 | 50 |
| ABSA Bank Limited | | |
| Relationship: Trustee of Allan Gray Property Trust | | |
| Related party transactions for the year: | | |
| – Interest income | 157 | 127 |
| – Bank charges | 54 | 48 |
| – Trustee fees | 453 | 445 |
| – Gross rent received | 9 725 | 8 463 |

Notes to the Annual Financial Statements

as at 30 September 2006

23. Forthcoming requirements

There are a number of forthcoming new standards and interpretations, which have been issued by the IASB prior to the publication of these financial statements, but which are only effective in future accounting periods, unless early adoption is chosen. None of these forthcoming requirements will have a material impact on the Trust's financial statements, other than certain disclosures required in terms of IFRS 7.

| (R000) | Retail 2006 | Office 2006 | Industrial 2006 | Specialised 2006 | Corporate 2006 | Total 2006 |
|---|------------------|----------------|--------------------|---------------------|-------------------|------------------|
| 24. Segmental information | | | | | | |
| 24.1 Business segment | | | | | | |
| Segment revenue | | | | | | |
| Contractual rental income | 383 875 | 80 163 | 60 941 | 20 269 | – | 545 248 |
| Straight-line rental adjustment | (13 831) | (2 693) | 469 | 10 319 | – | (5 736) |
| Total revenue | 370 044 | 77 470 | 61 410 | 30 588 | – | 539 512 |
| Segment result | | | | | | |
| Operating profit/(loss) | 281 589 | 58 183 | 45 939 | 30 423 | (31 287) | 384 847 |
| Interest received | 1 512 | 109 | 115 | 2 | 19 738 | 21 476 |
| Interest paid | – | – | – | – | (23 602) | (23 602) |
| Profit on disposal of investment properties | – | – | 15 714 | – | – | 15 714 |
| Fair value adjustments to investment properties | 731 224 | 164 559 | 101 318 | 29 032 | – | 1 026 133 |
| | 1 014 325 | 222 851 | 163 086 | 59 457 | (35 151) | 1 424 568 |
| Other information | | | | | | |
| Property assets | 4 168 585 | 631 306 | 455 175 | 236 755 | – | 5 491 821 |
| Trade and other receivables | 13 799 | 3 901 | 3 403 | 3 | 3 455 | 24 561 |
| Cash and cash equivalents | 1 | – | – | – | 254 453 | 254 454 |
| Total assets | 4 182 385 | 635 207 | 458 578 | 236 758 | 257 908 | 5 770 836 |
| Interest-bearing liabilities | – | – | – | – | 299 000 | 299 000 |
| Trade and other payables | 39 564 | 15 914 | 9 741 | 260 | 12 061 | 77 540 |
| Unitholders for distribution | – | – | – | – | 196 219 | 196 219 |
| Total liabilities | 39 564 | 15 914 | 9 741 | 260 | 507 280 | 572 759 |
| Capital expenditure | 141 140 | 19 330 | 32 | – | – | 160 502 |

| (R000) | Retail 2005 | Office 2005 | Industrial 2005 | Specialised 2005 | Corporate 2005 | Total 2005 |
|---|------------------|----------------|--------------------|---------------------|-------------------|------------------|
| 24. Segmental information (continued) | | | | | | |
| 24.1 Business segment (continued) | | | | | | |
| Segment revenue | | | | | | |
| Contractual rental income | 347 125 | 81 383 | 60 084 | 18 861 | – | 507 453 |
| Straight-line rental adjustment | 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 |
| 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 |

Notes to the Annual Financial Statements

as at 30 September 2006

| (R000) | 2006 | 2005 |
|---|------------------|-----------|
| 24.2 Geographical segments | | |
| Segment revenue by location | | |
| The following table shows the distribution of the Group's consolidated rentals by geographical location: | | |
| Gauteng | 421 427 | 414 208 |
| Western Cape | 103 084 | 113 770 |
| KwaZulu-Natal | 15 001 | 14 235 |
| | 539 512 | 542 213 |
| Analysis of segment assets by location | | |
| The following table shows the carrying amount of segment assets by the geographical area in which the assets are located: | | |
| Gauteng | 4 078 567 | 3 286 021 |
| Western Cape | 1 329 850 | 1 026 821 |
| KwaZulu-Natal | 110 069 | 88 202 |
| Corporate | 252 350 | 235 169 |
| | 5 770 836 | 4 636 213 |
| Capital expenditure by location | | |
| The following table shows the capital expenditure by the geographical area in which the assets are located: | | |
| Gauteng | 124 406 | 80 079 |
| Western Cape | 36 096 | 24 061 |
| KwaZulu-Natal | – | – |
| | 160 502 | 104 140 |

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 2006

| (R000) | Notes | 2006 | 2005 |
|---|-------|--------------|-------|
| Assets | | | |
| Non-current assets | | | |
| Investment in Allan Gray Property Trust | 2 | 1 289 | 1 255 |
| | | 7 097 | 6 471 |
| Current assets | | | |
| Trade and other receivables | 3 | 2 721 | 2 538 |
| Cash and cash equivalents | 4 | 4 376 | 3 933 |
| Total assets | | 8 386 | 7 726 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 5 | 1 000 | 1 000 |
| Revaluation reserve | | 675 | 646 |
| Retained earnings | | 4 172 | 3 204 |
| Non-current liabilities | | | |
| Deferred taxation | 7 | 114 | 109 |
| Current liabilities | | 2 425 | 2 767 |
| Trade and other payables | | 2 042 | 1 975 |
| Taxation payable | | 383 | 792 |
| Total equity and liabilities | | 8 386 | 7 726 |

Income Statement

for the year ended 30 September 2006

| (R000) | Notes | 2006 | 2005 |
|------------------------------------|-------|---------------|--------|
| Revenue | | | |
| Service fee | | 28 810 | 22 510 |
| Interest received | | 253 | 168 |
| Distributions received | | 92 | 85 |
| Expenditure | | 23 518 | 18 426 |
| Administration expenses | | 1 512 | 1 201 |
| Audit fees | | 56 | 51 |
| Directors' fees | 6 | 343 | 292 |
| Management and administration fees | 8 | 21 607 | 16 882 |
| Profit before taxation | | 5 637 | 4 337 |
| Taxation | | | |
| South African normal tax | 7 | 1 969 | 1 437 |
| Secondary tax on companies | | 1 631 | 1 249 |
| | | 338 | 188 |
| Profit for the year | | 3 668 | 2 900 |

Statement of Changes in Equity

for the year ended 30 September 2006

| (R000) | Share capital | Revaluation reserve | Retained earnings | Total equity |
|--|---------------|---------------------|-------------------|--------------|
| Balance at 1 October 2004 | 1 000 | 308 | 1 804 | 3 112 |
| Fair value adjustment on investment in Allan Gray Property Trust | | 393 | | 393 |
| Deferred taxation thereon | | (55) | | (55) |
| Net income recognised directly in equity | | 338 | | 338 |
| Profit of the year | | | 2 900 | 2 900 |
| Total recognised income and expense for the year | | 338 | 2 900 | 3 238 |
| Dividends paid | | | (1 500) | (1 500) |
| Balance at 30 September 2005 | 1 000 | 646 | 3 204 | 4 850 |
| Fair value adjustment on investment in Allan Gray Property Trust | | 34 | | 34 |
| Deferred taxation thereon | | (5) | | (5) |
| Net income recognised directly in equity | | 29 | | 29 |
| Profit of the year | | | 3 668 | 3 668 |
| Total recognised income and expense for the year | | 29 | 3 668 | 3 697 |
| Dividends paid | | | (2 700) | (2 700) |
| Balance at 30 September 2006 | 1 000 | 675 | 4 172 | 5 847 |

Cash Flow Statement

for the year ended 30 September 2006

| (R000) | Notes | 2006 | 2005 |
|--|-------|--------------|--------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 5 637 | 4 337 |
| Adjustments for: | | | |
| Interest received | | (253) | (168) |
| | | 5 384 | 4 169 |
| Trade and other receivables increased | | (183) | (789) |
| Trade and other payables raised | | 67 | 598 |
| Cash generated from operations | | 5 268 | 3 978 |
| Interest received | | 253 | 168 |
| Taxation paid | 9.1 | (2 378) | (979) |
| Dividends paid | 9.2 | (2 700) | (1 500) |
| Net cash inflow from operating activities | | 443 | 1 667 |
| Cash and cash equivalents at 1 October | | 3 933 | 2 266 |
| Cash and cash equivalents at 30 September | 4 | 4 376 | 3 933 |

Notes to the Annual Financial Statements

at 30 September 2006

1. Accounting policies

Allan Gray Property Trust Management Limited (the company) is a company domiciled in South Africa. The financial statements were authorised for issue by the Directors on 2 November 2006.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Standards Board and the requirements of the Companies Act and the Collective Investment Schemes Control Act. This is the first set of financial statements prepared in accordance with IFRS. Refer note 13 for a description of the impact of IFRS on the company's reported results.

1.2 Basis of preparation

The financial statements are presented in Rands. They are prepared on the historical cost basis, except for certain financial instruments which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources. Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value for disclosure purposes. Actual results may differ from these estimates.

The accounting policies set out below are consistent in all material respects with those applied in prior years, except for the impact of IFRS, as described in note 13.

1.3 Revenue

Revenue comprises service fees, interest income and distributions received.

1.4 Service fees

Service fees represent management fees received for the asset management of the Trust, and are recognised on an accrual basis.

1.5 Distributions received

Distributions on investments are taken into account where the distribution date falls within the accounting period.

1.6 Interest income

Interest income is recognised on an accrual basis, using the effective interest method.

1.7 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for when they arise on initial recognition of assets and liabilities, and the initial recognition affects neither accounting profit nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies is recognised at the same time as the liability to pay the related dividend.

1.8 Revaluation reserve

All unrealised surpluses/deficits arising on the revaluation of the investment in the Trust to market value are recognised directly in the revaluation reserve and recycled through the income statement on sale.

1.9 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 directly in equity for the year in which it arises.

1.10 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 for the year.

Measurement

Financial instruments are initially measured at fair value, including directly attributable transaction costs, except in the case of financial instruments carried at fair value through profit and loss. Subsequent to the initial recognition these instruments are measured as set out below.

– Trade and other receivables

Trade and other receivables are carried at amortised cost.

– Other investments in debt and equity

The Company classifies its investments in debt and equity securities into the following categories:

- at fair value through profit and loss;
- 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.

Financial assets classified as at fair value through profit and loss and available-for-sale are held at fair value which is the market price at the reporting date.

– Trade and other payables

Trade and other payables are carried at cost.

– 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.

Changes in fair value on subsequent measurement

Changes in fair value on subsequent measurement of financial assets classified as:

- at fair value through profit and loss are recognised in profit and loss; and
- available-for-sale are recognised directly in equity, other than changes related to impairment losses, which are recognised in profit and loss.

Notes to the Annual Financial Statements

at 30 September 2006

| (R000) | 2006 | 2005 |
|---|--------------|-------|
| 2. Investment in Allan Gray Property Trust | | |
| 249 904 (2005: 249 904) units in the Trust | 1 289 | 1 255 |
| The investment in the Trust is stated at fair value. The fair value is based on the closing price on the JSE Limited on 30 September. | | |
| 3. Trade and other receivables | | |
| Service fee | 2 581 | 2 450 |
| Prepayments | 60 | 49 |
| Other | 80 | 39 |
| | 2 721 | 2 538 |
| 4. Cash and cash equivalents | | |
| Deposits at bank | 27 | 14 |
| Negotiable certificates of deposit | 2 000 | 1 500 |
| Deposits on call | 2 349 | 2 419 |
| | 4 376 | 3 933 |
| 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 | – | – |
| – V A Christian | 20 | – |
| – W T Fairhead | 79 | 71 |
| – G W Fury (alternate) | – | – |
| – D D Govender | – | – |
| – W M Kirchmann | 79 | 71 |
| – S P McCoy* | – | – |
| – D M Nurek | 55 | 50 |
| – E Osrin | 55 | 50 |
| – S Shaw-Taylor | 55 | 50 |
| Total Directors' remuneration | 343 | 292 |

* Executive

Directors' service contracts

No Directors have service contracts with Allan Gray Property Trust nor with Allan Gray Property Trust Management Limited.

Notes to the Annual Financial Statements

at 30 September 2006

| (R000) | 2006 | 2005 |
|--|---------------|--------|
| 7. Taxation | | |
| South African normal taxation | | |
| – current | 1 631 | 1 249 |
| Secondary tax on companies | 338 | 188 |
| | 1 969 | 1 437 |
| <i>The taxation charge is reconciled as follows:</i> | | |
| Profit before taxation | 5 637 | 4 337 |
| Tax calculated at a tax rate of 29% | 1 635 | 1 258 |
| Prepaid expenditure | (4) | (9) |
| Secondary tax on companies | 338 | 188 |
| Taxation per the income statement | 1 969 | 1 437 |
| <i>The taxation rate is reconciled as follows:</i> | % | % |
| Statutory taxation rate | 29.00 | 29.00 |
| Prepaid expenditure | (0.07) | (0.20) |
| Secondary tax on companies | 6.00 | 4.33 |
| Effective tax charge | 34.93 | 33.13 |
| Deferred taxation liability | | |
| Opening balance | 109 | 54 |
| Fair value adjustment of investment in Allan Gray Property Trust | 5 | 57 |
| Rate change adjustment | – | (2) |
| Closing balance | 114 | 109 |
| Deferred tax comprises: | | |
| Deferred tax on fair value adjustment of investment in Allan Gray Property Trust | 114 | 109 |
| 8. Management and administration fees | | |
| The following management and administration fees were paid during the year: | | |
| Allan Gray Limited | 21 607 | 16 882 |
| Broll Property Group (Proprietary) Limited | 895 | 852 |
| | 22 502 | 17 734 |
| 9. Notes to the cash flow statement | | |
| 9.1 Taxation paid | | |
| Amounts unpaid at 1 October | 901 | 388 |
| Amounts charged to income statement | 1 969 | 1 437 |
| Amount recognised directly in equity | 5 | 55 |
| Amounts unpaid at 30 September | (497) | (901) |
| | 2 378 | 979 |
| 9.2 Dividends paid | | |
| Amounts unpaid at 1 October | – | – |
| Amounts declared | 2 700 | 1 500 |
| Amounts unpaid at 30 September | – | – |
| | 2 700 | 1 500 |

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 R922 376. At 30 September 2006 the capital balance was R5 847 000.

The cost of the investment in Grayprop at 30 September 2006 was R499 808 (2005: R499 808).

11. Financial risk management

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

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

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

Interest rate risk management

Exposure to interest risk is considered minimal. Interest is earned on deposits on call, deposits at bank as well as negotiable certificates of deposit.

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 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.

Liquidity risk management

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

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. 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 arm's length.

Material related party transactions

| | | |
|------------------------------------|---|------------------------|
| Service fee | – | refer Income statement |
| Management and administration fees | – | refer note 8 |
| Directors' emoluments | – | refer note 6 |

13. First-time adoption of IFRS

The only adjustment resulting from the adoption of IFRS for the first time related to the recognition of the fair value adjustment of the Company's investment in Allan Gray Property Trust directly in equity, rather than through the income statement. This resulted in a reduction of R393 000 in the profit previously reported as at 30 September 2005. There was no impact on the total equity of the Company.

14. Forthcoming requirements

There are a number of forthcoming new standards and interpretations, which have been issued by the IASB prior to the publication of these financial statements, but which are only effective in future accounting periods, unless early adoption is chosen. None of these forthcoming requirements will have a material impact on the Company's financial statements, except for certain additional disclosures in terms of IFRS 7.

Directors' Report

for the year ended 30 September 2006

| | |
|----------------------------------|---|
| NATURE OF BUSINESS: | The Company continued with its business as the Manager for the Trust in terms of the Collective Investment Schemes Control Act. |
| 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 R2.7 million (2005: R1.5 million) was declared during the year. |
| DIRECTORS: | <p>The Directors of the Company are as follows:</p> <p>W J C Mitchell (Chairman) J D Rainier (Managing Director) D M Nurek G W Fury (alternate to W J C Mitchell) V A Christian (appointed 19 July 2006) D D Govender (appointed 3 May 2006) W T Fairhead (resigned 10 August 2006) W M Kirchmann S P McCoy E Osrin (resigned 10 August 2006) S Shaw-Taylor</p> |
| MANAGERS AND SECRETARIES: | Broll Property Group (Proprietary) Limited |
| Business address: | 2nd Floor, Broll House 27 Fricker Road Illovo 2196 Johannesburg |
| Postal address: | PO Box 1455 Saxonwold 2132 |
| AUDITORS: | KPMG Inc. are reappointed in terms of Section 270 of the Companies Act. |
| REGISTRATION NO: | 1983/003324/06 |

Approval of the Annual Financial Statements

for the year ended 30 September 2006

The Directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the audit committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. There is no indication that there was a breakdown in the functioning of these controls during the period under review.

The external auditors, KPMG Inc., are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, and the South African Companies Act and Collective Investment Schemes Control Act. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors believe that Allan Gray Property Trust and Allan Gray Property Trust Management Limited will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements for the period ended 30 September 2006 set out on pages 16 to 38 were approved by the board of Directors of Allan Gray Property Trust Management Limited on 2 November 2006 and are signed on its behalf by:



W J C Mitchell
Chairman

2 November 2006



J D Rainier
Managing Director

Certificate by Company Secretary

for the year ended 30 September 2006

We hereby certify that for the year ended 30 September 2006, 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 2006

Report of the Independent Auditors

for the year ended 30 September 2006

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 38 for the year ended 30 September 2006. 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 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Collective Investment Schemes Control Act and the Companies Act in South Africa.

KPMG Inc.

Registered Auditor



Per G M Pickering

Chartered Accountant (SA)

Registered Auditor

Director

KPMG Crescent

85 Empire Road

Parktown

Johannesburg

2 November 2006

Allan Gray Property Trust

Report of the Trustee

for the year ended 30 September 2006

in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act

To the unitholders of Allan Gray Property Trust

During the period as set out above during which the Collective Investments Schemes Control Act 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

27 October 2006

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 |

