

# Reviewed Results and Distribution Declaration

Share code: MTP ISIN code: ZAE000037271

The directors of Marriott Property Fund Managers Limited, the management company of Martprop Property Fund ("Martprop" or "Fund") submit their report on the reviewed financial results of the Martprop group for the year ended 31 July 2004.

CONSOLIDATED BALANCE SHEET (R000)	31.07.2004 (Reviewed)	31.07.2003 (Audited)
<b>Assets</b>		
Non-current assets		
Investment properties	1 447 185	1 319 251
Current assets		
Trade and other receivables	21 200	12 270
Cash resources and short-term investments	78 159	9 074
<b>Total assets</b>	<b>1 546 544</b>	<b>1 340 595</b>
<b>Unitholders' funds and liabilities</b>		
Unitholders' funds	1 415 139	1 178 277
Non-current liabilities		
Interest bearing borrowings	—	65 644
Interest rate swap derivative	2 116	2 700
Deferred capital gains taxation	2 079	6 293
Current liabilities		
Trade and other payables	29 617	10 759
Capital gains taxation and secondary taxation on companies	6 945	—
Distributions payable	90 648	76 922
<b>Total unitholders' funds and liabilities</b>	<b>1 546 544</b>	<b>1 340 595</b>

CONSOLIDATED INCOME STATEMENT (R000)	Note	% change	Year to 31.07.2004 (Reviewed)	Year to 31.07.2003 (Audited)
<b>Revenue (rental income)</b>		8,5%	<b>212 948</b>	196 210
Net property income			176 924	158 936
Interest received			5 711	5 491
Interest paid			(4 662)	(5 016)
Surplus/(deficit) on revaluation of interest rate swap derivative			584	(2 700)
Fund expenses			(8 439)	(5 777)
<b>Headline earnings</b>	2	12,7%	<b>170 118</b>	150 934
Capital (deficit)/surplus on disposal of investment properties			(2 800)	72
Write-up on revaluation of investment properties			62 668	2 984
Taxation on property revaluation			(3 101)	(5 602)
<b>Net profit for the year</b>			<b>226 885</b>	148 388
Units in issue (000)			725 184	641 016
Units in issue – weighted (000)			697 128	641 016
Net headline earnings – weighted (cents per unit)	2		24,40	23,55
Net profit – weighted (cents per unit)	2		32,55	23,15
<b>Net distributable income (cents per unit)</b>	2	3,1%	<b>24,75</b>	24,00

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R000)	Year to 31.07.2004 (Reviewed)	Year to 31.07.2003 (Audited)
<b>Unitholders' funds at beginning of year</b>	<b>1 178 277</b>	1 183 735
<b>Capital movements</b>	<b>239 206</b>	(6 600)
Write-up on revaluation of investment properties	62 668	2 984
Capital (deficit)/surplus on disposal of investment properties	(2 800)	72
Taxation on property revaluation	(3 101)	(5 602)
Surplus/(deficit) on revaluation of interest rate swap derivative	584	(2 700)
Loss in investment property companies carried forward	(930)	(1 354)
84 167 903 units issued	189 518	—
Transfer to revenue of distribution prepaid received on units issued	(6 733)	—
<b>Maintenance reserves</b>		
Net transfers (from)/to maintenance reserves	(2 344)	1 142
<b>Revenue movements</b>		
Net profit for the year	226 885	148 388
Transfers (to)/from capital	(56 421)	6 600
Net transfers from/(to) maintenance reserves	2 344	(1 142)
Unclaimed distributions written-back repaid	(58)	—
Transfer from capital of distribution prepaid received	6 733	—
Available for distribution	179 483	153 846
Distribution attributable to unitholders	(179 483)	(153 846)
<b>Unitholders' funds at end of year</b>	<b>1 415 139</b>	1 178 277

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT (R000)	Year to 31.07.2004 (Reviewed)	Year to 31.07.2003 (Audited)
<b>Cash inflows from operating activities</b>		
Net profit for the year	226 885	148 388
Adjustment for:		
Interest received	(5 711)	(5 491)
Interest paid	4 662	5 016
Write-(up)/down on revaluation of investment properties net of taxation	(59 567)	2 618
Capital deficit/(surplus) on disposal of investment properties	2 800	(72)
(Surplus)/deficit on revaluation of interest rate swap derivative	(584)	2 700
<b>Operating profit before working capital changes</b>	<b>168 485</b>	153 159
Working capital changes	9 558	7 314
<b>Cash generated from operations</b>	<b>178 043</b>	160 473
Interest received	5 711	5 491
Interest paid	(4 662)	(5 016)
Distributions paid	(165 757)	(155 087)
<b>Net cash inflow from operating activities</b>	<b>13 335</b>	5 861
<b>Net cash inflow from investing activities</b>	<b>(68 124)</b>	(143 070)
<b>Net cash inflow from financing activities</b>		
(Decrease)/increase in interest bearing borrowings	(65 644)	65 644
Units issued	182 785	—
Distribution pre-payment received	6 733	—
<b>Net increase/(decrease) in cash</b>	<b>69 085</b>	(71 565)
Cash resources at beginning of year	9 074	80 639
<b>Cash resources at end of year</b>	<b>78 159</b>	9 074

OTHER INFORMATION	31.07.2004 (Reviewed)	31.07.2003 (Audited)
Debt funding facility (R000)		
Loan facility	350 000	350 000
Less: Facility utilised	—	65 644
Drawdown on facility	17 500	137 144
Facility repaid, available for re-advance	(17 500)	(71 500)
Facility available at end of year	350 000	284 356
Adjusted for future capital commitments and proceeds on disposal	(173 101)	(49 010)
Capital commitments	(223 277)	(147 894)
Proceeds on disposal	50 176	98 884
Anticipated available loan facility	176 899	235 346
Capital cash (R000)	8 846	3 556
Vacancy factor (based on lettable area)	4%	7%
Valuation analysis (cents per unit)		
Net asset value (including final distribution yet to be paid)	208	196
Listed market price	225	215
Premium to net asset value	8%	10%
Capitalised interest (R000)	2 998	—

## NOTES TO THE FINANCIAL STATEMENTS

1. The group results have been prepared using accounting policies which are in accordance with South African Statements of Generally Accepted Accounting Practice and are consistent with those applied in preparation of the audited financial statements for the prior year.

2. Headline earnings and distribution attributable to unitholders

	Year to 31.07.2004 (Reviewed)	Year to 31.07.2003 (Audited)
	R000	CPU#
<b>Net profit for the year (earnings)*</b>	<b>226 885</b>	<b>32,55</b>
Adjustments for:		
Capital deficit/(surplus) on disposal of investment properties	2 800	(72)
Write-(up)/down on revaluation of investment properties net of taxation	(59 567)	2 618
<b>Headline earnings*</b>	<b>170 118</b>	<b>24,40</b>
(Surplus)/deficit on revaluation of interest rate swap derivative	(584)	2 700
Net transfers from/(to) maintenance reserves	2 344	(1 142)
Unclaimed distributions written-back repaid	(58)	—
Losses in investment property companies carried forward	930	1 354
Distributable income	172 750	153 846
Distribution pre-payment received	6 733	—
<b>Distribution attributable to unitholders**</b>	<b>179 483</b>	<b>24,75</b>
	153 846	24,00

\* Weighted earnings and weighted headline earnings are based on a weighted number of units of 697 127 804 units for the year ended 31 July 2004.

\*\* Distribution per unit is based on 725 183 772 units in issue at 31 July 2004.

# CPU - cents per unit

3. Primary operational segments for the year ended 31 July 2004

Business segment	Industrial R000	Office R000	Retail R000	Fund R000	Group R000
<b>Income statement</b>					
Revenue	145 674	29 722	37 552	—	212 948
Net property income	126 927	18 587	31 410	—	176 924
Interest received	2 917	598	710	1 486	5 711
Interest paid	—	—	—	(4 662)	(4 662)
Fund expenses	—	—	—	(8 439)	(8 439)
Surplus on revaluation of interest rate swap derivative	—	—	—	584	584
Net capital deficit on disposal of investment properties	(1 700)	(1 100)	—	—	(2 800)
Write-(up)/(down) on revaluation of investment properties	51 162	(4 406)	15 912	—	62 668
Taxation on property revaluation	(2 871)	(196)	(34)	—	(3 101)
Net profit for the year	176 435	13 483	47 998	(11 031)	226 885
<b>Balance sheet</b>					
Investment properties	1 017 130	138 020	292 035	—	1 447 185
Current assets	54 410	9 983	21 703	13 263	99 359
Total assets	1 071 540	148 003	313 738	13 263	1 546 544
Interest rate swap derivative	—	—	—	2 116	2 116
Deferred capital gains taxation	2 079	—	—	—	2 079
Trade and other payables	4 437	1 581	1 276	22 323	29 617
Taxation	6 257	356	332	—	6 945
Distribution payable	—	—	—	90 648	90 648
Total liabilities	12 773	1 937	1 608	115 087	131 405



**Registered office**  
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## Auditors

Deloitte & Touche  
2 Pencarrow Crescent  
Pencarrow Park  
La Lucia Ridge Office Estate  
La Lucia 4051

David Strachan & Tayler  
19th Floor  
320 West Street  
Durban 4001

**Deloitte.**



## Transfer secretaries

Computershare Investor Services  
2004 (Pty) Limited  
9th Floor, 70 Marshall Street  
Johannesburg 2001  
PO Box 61051, Marshalltown 2107  
Tel: (011) 370-5000

## Sponsor

Exchange Sponsors  
(Pty) Limited  
39 First Avenue  
Hyde Park 2196



## REVIEW BY INDEPENDENT AUDITORS

Martprop's auditors, Deloitte & Touche and David Strachan and Tayler have reviewed the preliminary financial results of the group for the year ended 31 July 2004. Their unqualified report is available for inspection from the group's secretary.

## COMMENTS

### 1. Results

Martprop's net distributable income for the year amounts to 24,75 cents per unit (2003: 24,00 cents per unit) resulting in an increase in distributions of 3,1% over last year. Accordingly, the directors of the management company are pleased to announce a final distribution of 12,50 cents per unit (2003: 12,00 cents per unit) for the six months ended 31 July 2004. This represents growth of 4,2% over the corresponding period last year.

The results for the year incorporate the acquisition of two properties for R79,7 million, developments of R103,3 million, the disposal of thirty properties for R115,6 million and new equity raised of R182,8 million, resulting in headline earnings of R170,1 million, 12,7% up on last year. Taking into account the issue of 84,2 million new units on 1 December 2003, this translates into headline earnings of 24,40 cents per unit on a weighted basis or growth of 3,6% over last year's headline earnings of 23,55 cents per unit.

### 2. Property portfolio

During the year under review the Fund continued to sell underperforming assets and a total of thirty properties were sold for a combined value of R115,6 million. The net disposal prices of these properties gave rise to a small loss on their carrying values, but the sales represented a significant improvement in the quality of the portfolio. A number of CBD fringe office buildings in Durban and Cape Town, which had laboured under high vacancies and operating expenses for several years, were included and their disposal and reinvestment of the proceeds will contribute positively to future earnings.

The occupancy of the portfolio has benefited from the improved property market conditions as well as the portfolio activity. At year end the vacancy factor had improved to 4% from the 7% level at the beginning of the year.

The Fund made two acquisitions during the year. A 30 000m<sup>2</sup> warehousing and distribution facility in Jet Park, let to the Fuel Group, was acquired for R63,1 million at an initial yield of 13,1% and an 8 000m<sup>2</sup> warehouse in Aeroport was acquired at an initial yield of 12,8%. Three developments are due for completion by the end of September 2004 and these will boost the Fund's profile. Stellenbosch Square is a community shopping centre located in a prime area of the Cape Winelands and will offer the residents of Stellenbosch and surrounding communities an upmarket retail experience. On completion, this development is budgeted to yield 12,4%. The redevelopment of the Tokai Pick 'n Pay Centre in Cape Town, at a yield of 11,2%, will provide a new 3 000m<sup>2</sup> corporate store for Pick 'n Pay and 4 400m<sup>2</sup> of line shops. This property is jointly owned with SA Retail Properties Limited. In Centurion, Martprop is finalising the development of a 10 000m<sup>2</sup> warehouse for the Fuel Group at a cost of R25 million at an initial yield of 12,25%.

Martprop has announced the acquisition of an undivided half share in Musgrave Centre, Durban from Rycklof-Beleggings (Pty) Limited for R187,5 million which will be funded out of the debt facility available. Transfer of the property is anticipated to be early September 2004 and is subject to the approval of the Competition Commission, which is pending. The centre enjoys a prominent profile in an exclusive residential area and, at an initial yield of 11,4% offers attractive income growth potential.

### 3. Funding

The new equity of R182,8 million raised in December 2003 was used to discharge existing debt and finance the acquisition and development of properties referred to above. A notional prepaid distribution of R6,7 million was also collected from the subscribers of the new equity, which compensated unitholders at the date of issue in respect of income for the first four months ended 30 November 2003, due to the new units ranking pari-passu with existing units for the interim distribution.

At year end Martprop had no debt. The capital commitments of R223,3 million at year end for acquisitions and developments will be discharged through borrowings. Following the settlement of these commitments and the receipt of proceeds on disposal of properties, for which sale agreements have been concluded, Martprop's debt will be approximately 11,9% of the portfolio value.

### 4. Restructure of the Fund

As reported previously the Fund is in the process of taking transfer of approximately 83% of its properties in value from the underlying subsidiary companies in terms of the rationale to restructure the Fund. The effective date of the restructure is 1 August 2003 and it is expected that a significant portion of these transfers will be completed within the next six months with the entire process being completed by the end of the 2005 financial year. Unitholders will benefit from cost economies and any future gain on the sale of the properties will be exempt from both capital gains taxation and secondary taxation on companies in the Fund.

### 5. Future prospects

Distributable income for the 2005 financial year is expected to show growth. The portfolio will benefit by the increased exposure to the buoyant retail sector and this will underpin the positive returns expected from the Fund's industrial properties.

## DISTRIBUTION DECLARATION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution no. 19 in respect of the income distribution period 1 February 2004 to 31 July 2004. The distribution amounts to 12,50 cents per unit.

Last date to trade cum distribution Thursday, 16 September 2004

Units will trade ex-distribution Friday, 17 September 2004

Record date to participate in the distribution Thursday, 23 September 2004

Payment of distribution Monday, 27 September 2004

Unit certificates may not be dematerialised or re-materialised between Friday, 17 September 2004 and Thursday, 23 September 2004 both days inclusive.

**MARRIOTT PROPERTY SERVICES (PTY) LIMITED**  
**SECRETARIES**

27 August 2004