MARTPROP PROPERTY FUND

Unaudited Interim Results and Distribution Declaration

Share code: MTP ISIN code: ZAE000037271

www.martprop.co.za

The directors of Marriott Property Fund Managers Limited, management company of Martprop Property Fund (Martprop) submit their report on the unaudited results of the Martprop group for the six months ended 31 January 2004.

CONSOLIDATED BALANCE SHEET (R000)	31.01.2004 (Unaudited)	31.01.2003 (Unaudited)	31.07.2003 (Audited)
Assets			
Non-current assets			
Investment properties	**1 411 289**	1 234 110	1 319 251
Current assets			
Trade and other receivables	**18 755**	17 726	12 270
Cash resources and short-term investments	**103 389**	5 133	9 074
TOTAL ASSETS	**1 533 433**	1 256 969	1 340 595
Unitholders' funds and liabilities			
Unitholders' funds	**1 408 750**	1 155 546	1 178 277
Non-current liabilities			
Interest-bearing borrowings	**18 211**	8 429	65 644
Interest rate swap derivative	**2 350**	—	2 700
Deferred capital gains tax	**2 795**	1 987	2 459
Current liabilities			
Trade and other payables	**8 443**	14 083	10 759
Deferred capital gains tax	**4 022**	—	3 834
Distributions payable	**88 862**	76 924	76 922
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	**1 533 433**	1 256 969	1 340 595

CONSOLIDATED INCOME STATEMENT (R000)	Note	% change	Six months to 31.01.2004 (Unaudited)	Six months to 31.01.2003 (Unaudited)	Year to 31.07.2003 (Audited)
Revenue (rental income)			**108 317**	91 925	196 210
Net property income		17,4%	**88 791**	75 663	158 936
Interest received			**1 687**	5 450	5 491
Interest paid			**(5 595)**	(1 663)	(5 016)
Surplus/(deficit) on revaluation of interest rate swap derivative			**350**	—	(2 700)
Fund expenses			**(4 100)**	(2 611)	(5 777)
Headline earnings			**81 133**	76 839	150 934
Capital (deficit)/surplus on disposal of investment properties			**(1 568)**	281	72
Write-up/(down) on revaluation of investment properties			**50 776**	(27 089)	2 984
Deferred capital gains tax			**(524)**	(1 296)	(5 602)
Net profit			**129 817**	48 735	148 388
Units in issue (000)			**725 184**	641 016	641 016
Units in issue – weighted (000)			**669 377**	641 016	641 016
Net headline earnings – weighted (cents per unit)	1.1		**12,12**	11,99	23,55
Net profit – weighted (cents per unit)	1.1		**19,39**	7,60	23,15
Net distributable income (cents per unit)	1.1	2,1%	**12,25**	12,00	24,00

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R000)	Six months to 31.01.2004 (Unaudited)	Six months to 31.01.2003 (Unaudited)	Year to 31.07.2003 (Audited)
Unitholders' funds at beginning of period	**1 178 277**	1 183 735	1 183 735
Capital movements	**230 508**	(28 104)	(6 600)
Write-up/(down) on revaluation of investment properties	**50 776**	(27 089)	2 984
Capital (deficit)/surplus on disposal of investment properties	**(1 568)**	281	72
Deferred capital gains tax	**(524)**	(1 296)	(5 602)
Surplus/(deficit) on revaluation of interest rate swap derivative	**350**	—	(2 700)
Loss in investment property companies carried forward	**(1 311)**	—	(1 354)
84 167 903 units issued	**189 518**	—	—
Transfer to revenue of distribution prepaid received on units issued	**(6 733)**	—	—
Maintenance reserves			
Net transfers (from)/to maintenance reserves	**(35)**	(85)	1 142
Revenue movements	**—**	—	—
Net profit	**129 817**	48 735	148 388
Transfers (to)/from capital	**(47 723)**	28 104	6 600
Net transfers from/(to) maintenance reserves	**35**	85	(1 142)
Transfer from capital of distribution prepaid received	**6 733**	—	—
Available for distribution	**88 862**	76 924	153 846
Distribution attributable to unitholders	**(88 862)**	(76 924)	(153 846)
Unitholders' funds at end of period	**1 408 750**	1 155 546	1 178 277

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT (R000)	Six months to 31.01.2004 (Unaudited)	Six months to 31.01.2003 (Unaudited)	Year to 31.07.2003 (Audited)
Cash inflows from operating activities			
Net profit for the period	**129 817**	48 735	148 388
Adjustment for:			
Interest received	**(1 687)**	(5 450)	(5 491)
Interest paid	**5 595**	1 663	5 016
Write-(up)/down on revaluation of investment properties net of capital gains tax	**(50 252)**	28 385	2 618
Capital deficit/(surplus) on disposal of investment properties	**1 568**	(281)	(72)
(Surplus)/deficit on revaluation of interest rate swap derivative	**(350)**	—	2 700
Operating profit before working capital changes	**84 691**	73 052	153 159
Working capital changes	**(8 752)**	5 231	7 314
Cash generated from operations	**75 939**	78 283	160 473
Interest received	**1 687**	5 450	5 491
Interest paid	**(5 595)**	(1 663)	(5 016)
Distributions paid	**(76 971)**	(78 215)	(155 087)
Net cash (outflow)/inflow from operating activities	**(4 940)**	3 855	5 861
Cash outflow from investing activities	**(42 830)**	(87 791)	(143 070)
Cash inflow from financing activities			
(Decrease)/increase in interest bearing borrowings	**(47 433)**	8 430	65 644
Units issued	**182 785**	—	—
Distribution pre-payment received	**6 733**	—	—
Net increase/(decrease) in cash	**94 315**	(75 506)	(71 565)
Cash resources at beginning of period	**9 074**	80 639	80 639
Cash resources at end of period	**103 389**	5 133	9 074

OTHER INFORMATION (R000)	Six months to 31.01.2004 (Unaudited)	Six months to 31.01.2003 (Unaudited)	Year to 31.07.2003 (Audited)
Debt funding facility (R000)			
Loan facility	**350 000**	350 000	350 000
Less: Facility utilised	**18 211**	8 429	65 644
Drawdown on facility	**35 711**	82 660	137 144
Facility repaid, available for re-advance	**(17 500)**	(74 231)	(71 500)
Facility available at end of period	**331 789**	341 571	284 356
Adjusted for future capital commitments and proceeds on disposal	**(58 918)**	(102 063)	(49 010)
Capital commitments	**(115 527)**	(117 485)	(147 894)
Proceeds on disposal	**56 609**	15 422	98 884
Anticipated available loan facility	**272 871**	239 508	235 346
Capital cash	**38 106**	2 524	3 556
Vacancy factor (based on lettable area)	**5%**	7%	7%
Valuation analysis (cents per unit)			
Net asset value (including interim distribution yet to be paid)	**207**	192	196
Listed market price	**222**	181	215
Premium/(discount) to net asset value	**7%**	(6%)	10%
Capitalised interest (R000)	**798**	—	—

NOTES TO THE FINANCIAL STATEMENTS

1. This interim report has been prepared using accounting policies which are in accordance with Statements of Generally Accepted Accounting Practice and are consistent with those applied in preparation of the audited financial statements for the year ended 31 July 2003.

1.1 **Headline earnings and distribution attributable to unitholders**

	31.01.2004 (Unaudited) R000	CPU	31.01.2003 (Unaudited) R000	CPU	31.07.2003 (Audited) R000	CPU
Net profit (earnings) – (weighted CPU)*	**129 817**	**19,39**	48 735	7,60	148 388	23,15
Adjustments for:						
Capital deficit/(surplus) on disposal of investment properties	**1 568**	**0,23**	(281)	(0,04)	(72)	(0,01)
Write-(up)/down on revaluation of investment properties net of capital gains tax	**(50 252)**	**(7,50)**	28 385	4,43	2 618	0,41
Headline earnings – (weighted CPU)*	**81 133**	**12,12**	76 839	11,99	150 934	23,55
(Surplus)/deficit on revaluation of interest rate swap derivative	**(350)**	**(0,06)**	—	—	2 700	0,42
Net transfers from/(to) maintenance reserves	**35**	**—**	85	0,01	(1 142)	(0,18)
Losses in investment property companies carried forward	**1 311**	**0,19**	—	—	1 354	0,21
Distributable income – (weighted CPU)*	**82 129**	**12,25**	76 924	12,00	153 846	24,00
Distribution pre-payment received	**6 733**					
Distribution attributable to unitholders†	**88 862**	**12,25**	76 924	12,00	153 846	24,00

**Weighted earnings, weighted headline earnings and weighted distributable income are based on a weighted number of units of 669 376 793 units for the six months to 31 January 2004.*

†Distribution per unit is based on 725 183 772 units in issue at 31 January 2004.

1.2 **Comparative results**
The comparative results have been re-classified for disclosure purposes.

1.3 **Primary operational segments for the six months ended 31 January 2004**

Business segment	Industrial	Office	Retail	Fund	Group
Income statement					
Revenue	72 678	17 311	18 328	—	108 317
Net property income	63 444	9 934	15 413		88 791
Interest received	1 019	184	279	205	1 687
Interest paid	—	—	—	(5 595)	(5 595)
Fund expenses	—	—	—	(4 100)	(4 100)
Surplus on revaluation of interest rate swap derivative	—	—	—	350	350
Net capital deficit on disposal of investment properties	(591)	(977)	—	—	(1 568)
Write-up/(down) on revaluation of investment properties	46 982	(326)	4 120	—	50 776
Deferred capital gains tax	(331)	(81)	(112)	—	(524)
Net profit	110 523	8 734	19 700	(9 140)	129 817
Balance sheet					
Investment properties	1 023 439	161 600	226 250	—	1 411 289
Current assets	50 912	11 545	16 398	43 289	122 144
Total assets	1 074 351	173 145	242 648	43 289	1 533 433
Interest bearing borrowings	—	—	—	18 211	18 211
Interest rate swap derivative	—	—	—	2 350	2 350
Deferred capital gains tax	6 116	314	387	—	6 817
Current liabilities	2 264	874	(1 462)	6 767	8 443
Distribution payable	—	—	—	88 862	88 862
Total liabilities	8 380	1 188	(1 075)	116 190	124 683
Acquisition of investment property	79 725	—	—	—	79 725

MARRIOTT PROPERTY FUND MANAGERS LTD

exchange sponsors

EXCHANGE SPONSORS (PTY) LIMITED

Registered office
Marriott at Kingsmead
Kingsmead Office Park
Durban 4001

PO Box 207
Durban 4000

Transfer secretaries
Computershare Limited
9th Floor, 70 Marshall Street
Johannesburg 2001

PO Box 61051
Marshalltown 2107
Tel: (011) 370-5000

COMMENTS

1. **Results**

The directors of the management company are pleased to report an interim distribution of 12,25 cents per unit for the six month period to 31 January 2004. This distribution represents growth of 2,1% over that of the comparable period last year (2003: 12,00 cents per unit). The results were enhanced by the acquisition of two properties for R79,7 million and the disposal of fifteen properties for R60,9 million since August 2003, together with new equity of R182,8 million raised in December 2003, the details of which are set out later in this commentary.

The property portfolio continues to perform in line with management's expectations and net property income before finance costs has grown by 17,4% over the comparable six month period. This growth is mainly due to net acquisitions of some R137,0 million since January 2003 and a higher occupancy level in the portfolio of 95% from 93%.

2. **Property portfolio**

The property portfolio was revalued at 31 January 2004 at R1,4 billion, an increase of 4,5% over the comparable portfolio as at year-end and 8,7% over the valuation as at 31 January 2003. The strengthening values can be ascribed to both growth in property income as well as to the firming of capitalisation rates in the period under review.

The demand for good quality space and consequent rental growth has maintained the performance of the Fund's properties, despite the resilience of the local currency relative to the US dollar and the dampening effect this has had on the performance of export-driven industrialists. Vacancies have declined from 7% to 5% in the six-month period, due to the take up of space as well as the activity in the portfolio, reinforcing management's views that the quality of the portfolio will continue to underpin earnings growth.

Coupled with the improving market conditions, management's active asset management efforts have contributed to the focus on long-term security of income through the investment in well-located and functional properties. Martprop has acquired two new warehousing and distribution facilities located in Gauteng, for R63,1 million and R16,6 million respectively. The first is a 30 000 m² warehouse in Jet Park let to the Fuel group on a ten year lease, which was acquired at a net initial yield of 13,1% and the second is a 7 700 m² warehouse in Aeroport let to companies in the Grass group and which was acquired at a net yield of 12,8%. In addition, some R20 million has been committed to date to two developments in Stellenbosch and Centurion respectively. The Stellenbosch development is a community shopping centre of 12 000 m² scheduled for completion in October 2004 at a total estimated cost of R79 million and at Centurion, Martprop is constructing a 10 000 m² distribution warehouse for Pharmaceutical Healthcare Distributors (Pty) Ltd at a total estimated cost of R24 million, due to be completed in August 2004. Together with S A Retail Properties Ltd, Martprop is about to embark on the redevelopment of the jointly owned Tokai Pick 'n Pay Centre in Cape Town. Martprop's undivided half share of this development amounts to R20 million.

Fifteen properties were sold in the six-month period, for a combined net selling price of R60,9 million and at a small loss to their combined carrying values. These disposals bring further focus to the Fund's portfolio and, specifically, include a number of underperforming office buildings. The application of the capital proceeds from these sales into properties with sound growth prospects will be of immediate benefit to unitholders.

3. **Capital raising**

In November 2003, Martprop's management approached the capital markets to raise new equity so as to discharge current debt and strengthen the Fund's market capitalisation. The re-rating of Martprop's unit price facilitated the issue of the new units at a price which reflected a premium to the Fund's net asset value and virtually no discount to the then ruling price, thereby ensuring that there was no dilution of existing unitholders' equity. The total equity, at a price of 220 cents per unit together with a notional distribution prepayment of 8 cents per unit, amounting to R189,5 million net of issue costs, was raised with effect from 1 December 2003. The prepaid distribution of R6,7 million compensates unitholders at the date of issue in respect of the income for the four months to 30 November 2003, included in the distribution for the six months to 31 January 2004, as a consequence of the new units ranking pari-passu with the existing units from the date of issue. The total number of units in issue has increased from 641 015 869 to 725 183 772.

4. **Borrowings**

Consequent to the capital raising referred to above, Martprop's gearing at 31 January 2004 amounted to R18,2 million or 1,3% of the value of the portfolio. In terms of the permissible gearing level of 30% of portfolio value, Martprop has further debt capacity of some R400 million.

5. **Restructure of the Fund**

As reported to unitholders in the 2003 Annual Report, the transfer of certain properties from the subsidiary fixed property companies to the Fund itself is underway. The effective date of these transfers is 1 August 2003 and the registration of transfer of title is anticipated prior to the Fund's year-end. Unitholders will benefit from cost economies and any future gain on the sale of the properties will be exempt from both capital gains tax and secondary tax on companies in the Fund.

6. **Future prospects**

The property market and, in particular, the industrial sector has performed well and management is of the view that Martprop's reconstructed portfolio is well positioned to yield growing distributions to unitholders.

DISTRIBUTION DECLARATION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution no. 18 in respect of the income distribution period 1 August 2003 to 31 January 2004. The distribution amounts to 12,25 cents per unit.

Last date to trade cum distribution	Thursday, 18 March 2004
Units will trade ex-distribution	Friday, 19 March 2004
Record date to participate in the distribution	Friday, 26 March 2004
Payment of distribution	Monday, 29 March 2004

Unit certificates may not be dematerialised or re-materialised between Friday, 19 March 2004 and Friday, 26 March 2004 both days inclusive.

BY ORDER OF THE BOARD
MARRIOTT PROPERTY SERVICES (PTY) LIMITED
SECRETARIES

27 February 2004

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