

# UNAUDITED INTERIM RESULTS AND DISTRIBUTION DECLARATION

- **Acquisitions and developments**
  - Capital invested to date R210,8 million
  - Contracted R265,3 million

- **Reduced cost of finance**
- **Debt to property value ratio 16%**
- **Vacancy factor 1%**

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 2006.

## CONSOLIDATED BALANCE SHEET

(R000)	31.01.2006 (Unaudited)	31.01.2005 (Unaudited) Restated	31.07.2005 (Audited) Restated
<b>Assets</b>			
Non-current assets			
Investment property	2 183 474	1 666 096	1 902 184
At valuation	2 255 820	1 723 138	1 960 782
Straight line rental adjustment	(72 346)	(57 042)	(58 598)
Rental receivable straight line adjustment	59 287	44 050	46 085
Current assets			
Trade and other receivables	43 767	32 271	39 914
Rental receivable straight line adjustment	13 059	12 992	12 513
Cash resources and short-term investments	64 993	21 177	66 529
<b>TOTAL ASSETS</b>	<b>2 364 580</b>	<b>1 776 586</b>	<b>2 067 225</b>
<b>Unitholders' funds and liabilities</b>			
Unitholders' funds	1 884 119	1 525 301	1 774 925
Non-current liabilities			
Interest bearing borrowings	337 600	127 500	155 000
Interest rate swap derivative	466	2 375	1 602
Deferred capital gains taxation	14 016	3 343	11 763
Current liabilities			
Trade and other payables	36 710	24 138	25 738
Capital gains taxation and secondary taxation on companies	1 021	3 281	3 905
Distributions payable	90 648	90 648	94 292
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>	<b>2 364 580</b>	<b>1 776 586</b>	<b>2 067 225</b>

## CONSOLIDATED INCOME STATEMENT

(R000)	Six months to 31.01.2006 (Unaudited)	Six months to 31.01.2005 (Unaudited) Restated	Year to 31.07.2005 (Audited) Restated
Rental income	121 172	116 917	239 086
Straight line rental adjustment	13 752	2 889	1 556
<b>Revenue</b>	<b>134 924</b>	<b>119 806</b>	<b>240 642</b>
Net property income	121 162	103 845	205 051
Interest received	2 296	3 898	4 440
Interest paid	(10 527)	(7 571)	(15 805)
Surplus/(deficit) on revaluation of interest rate swap derivative	1 136	(258)	514
Fund expenses	(8 531)	(6 915)	(9 242)
Deferred taxation on straight line rental adjustment	(178)	(194)	(57)
<b>Headline earnings</b>	<b>105 358</b>	<b>92 805</b>	<b>184 901</b>
Capital (deficit)/surplus on disposal of investment properties	(3 192)	(848)	1 154
Write-up on revaluation of investment properties	99 752	109 930	369 534
Revaluations	113 504	112 819	371 090
Straight line rental adjustment valuation	(13 752)	(2 889)	(1 556)
Taxation on property revaluation	(2 076)	(1 077)	(10 881)
On capital transactions	(2 254)	(1 271)	(10 938)
Straight line rental adjustment	178	194	57
<b>Net profit</b>	<b>199 842</b>	<b>200 810</b>	<b>544 708</b>
Units in issue (000)	725 184	725 184	725 184
Headline earnings per unit (cents)			
Prior to straight line rental adjustment	12,66	12,43	25,29
Straight line rental adjustment	1,87	0,37	0,21
After straight line rental adjustment	14,53	12,80	25,50
Net profit per unit (cents)	27,56	27,69	75,11
(Prior to and after straight line rental adjustment)			
Distributable income per unit (cents)	12,50	12,50	25,50

## CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

(R000)	Six months to 31.01.2006 (Unaudited)	Six months to 31.01.2005 (Unaudited) Restated	Year to 31.07.2005 (Audited) Restated
<b>Unitholders' funds at beginning of period</b>	<b>1 774 925</b>	<b>1 395 250</b>	<b>1 395 250</b>
Prior year deferred taxation on straight line rental adjustment	-	19 889	19 889
<b>Restated balance at beginning of period</b>	<b>1 774 925</b>	<b>1 415 139</b>	<b>1 415 139</b>
<b>Capital movements</b>	<b>109 194</b>	<b>110 442</b>	<b>361 820</b>
Write-up on revaluation of investment properties	99 752	109 930	369 534
Capital (deficit)/surplus on disposal of investment properties	(3 192)	(848)	1 154
Taxation on property revaluation	(2 076)	(1 077)	(10 881)
Surplus/(deficit) on revaluation of interest rate swap derivative	1 136	(258)	514
Straight line rental adjustment net of taxation	13 574	2 695	1 499
<b>Maintenance reserves</b>	<b>-</b>	<b>(280)</b>	<b>(2 034)</b>
Net transfers from maintenance reserves	-	-	-
<b>Revenue movements</b>	<b>199 842</b>	<b>200 810</b>	<b>544 708</b>
Transfers to capital	(109 194)	(110 442)	(361 820)
Net transfers from maintenance reserves	-	280	2 034
Available for distribution	90 648	90 648	184 922
Distribution attributable to unitholders	(90 648)	(90 648)	(184 922)
<b>Unitholders' funds at end of period</b>	<b>1 884 119</b>	<b>1 525 301</b>	<b>1 774 925</b>

## ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

(R000)	Six months to 31.01.2006 (Unaudited)	Six months to 31.01.2005 (Unaudited) Restated	Year to 31.07.2005 (Audited) Restated
<b>Cash inflows from operating activities</b>			
Net profit for the period	199 842	200 810	544 708
Adjustment for:			
Interest received	(2 296)	(3 898)	(4 440)
Interest paid	10 527	7 571	15 805
Write-up on revaluation of investment properties net of taxation	(97 676)	(108 853)	(358 653)
Taxation on straight line rental adjustment	178	194	57
Capital deficit/(surplus) on disposal of investment properties	3 192	848	(1 154)
(Surplus)/deficit on revaluation of interest rate swap derivative	(1 136)	258	(514)
<b>Operating profit before working capital changes</b>	<b>112 631</b>	<b>96 930</b>	<b>195 809</b>
Working capital changes and taxation	(9 517)	(23 109)	(28 614)
<b>Cash generated from operations</b>	<b>103 114</b>	<b>73 821</b>	<b>167 195</b>
Interest received	2 296	3 898	4 440
Interest paid	(10 527)	(7 571)	(15 805)
Distributions paid	(94 292)	(90 648)	(181 107)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>591</b>	<b>(20 500)</b>	<b>(25 277)</b>
<b>Cash outflow from investing activities</b>	<b>(184 727)</b>	<b>(163 982)</b>	<b>(141 353)</b>
Increase in interest bearing borrowings	182 600	127 500	155 000
<b>Net decrease in cash</b>	<b>(1 536)</b>	<b>(56 982)</b>	<b>(11 630)</b>
Cash resources at beginning of period	66 529	78 159	78 159
<b>Cash resources at end of period</b>	<b>64 993</b>	<b>21 177</b>	<b>66 529</b>

## OTHER INFORMATION

(R000)	Six months to 31.01.2006 (Unaudited)	Six months to 31.01.2005 (Unaudited) Restated	Year to 31.07.2005 (Audited) Restated
Debt funding facility			
Loan facility	750 000	350 000	350 000
Additional debt funding capacity	-	-	238 000
Less: Facility utilised	(337 600)	(127 500)	(155 000)
Drawdown on facility	(355 600)	(197 500)	(197 500)
Facility repaid, available for re-advance	18 000	70 000	42 500
<b>Facility available at end of period</b>	<b>412 400</b>	<b>222 500</b>	<b>433 000</b>
Adjusted for future capital commitments and proceeds on disposal	(265 297)	(86 937)	(348 853)
Capital commitments	(265 297)	(153 200)	(382 968)
Expected proceeds on disposal	-	66 263	34 115
Anticipated available loan facility	147 103	135 563	84 147
Capital cash	164	7 161	33 533
Vacancy factor (based on lettable area)	1%	3%	2%
Valuation analysis (cents per unit)			
Net asset value (including interim distribution yet to be paid)	272	223	258
Listed market price	335	288	291
Capitalised interest (R000)	1 810	1 483	311

## NOTES TO THE FINANCIAL STATEMENTS

1. This group interim report has been prepared for the first time in accordance with International Financial Reporting Standards – IFRS 1 and IAS 34: Interim Financial Reporting. The adoption of IFRS has not resulted in any adjustments to previously reported results. The policies applied are consistent with those used in the prior period. The comparative figures have been restated in order to give effect to the prior year adjustment referred to in note 1.2.

### 1.1 Headline earnings and distribution attributable to unitholders

	31.01.2006 (Unaudited) R000	CPU*	31.01.2005 (Unaudited) Restated R000	CPU*	31.07.2005 (Audited) Restated R000	CPU*
<b>Net profit (earnings)</b>	<b>199 842</b>	<b>27,56</b>	<b>200 810</b>	<b>27,69</b>	<b>544 708</b>	<b>75,11</b>
Adjustments for:						
Capital deficit/(surplus) on disposal of investment properties	3 192		848		(1 154)	
Write-up on revaluation of investment properties net of taxation	(97 676)		(108 853)		(358 653)	
<b>Headline earnings</b>	<b>105 358</b>	<b>14,53</b>	<b>92 805</b>	<b>12,80</b>	<b>184 901</b>	<b>25,50</b>
(Surplus)/deficit on revaluation of interest rate swap derivative	(1 136)		258		(514)	
Net transfers from maintenance reserves	-		280		2 034	
Adjusted for straight line rental adjustment net of taxation	(13 574)		(2 695)		(1 499)	
Distributable income	90 648		90 648		184 922	
<b>Distribution attributable to unitholders</b>	<b>90 648</b>	<b>12,50</b>	<b>90 648</b>	<b>12,50</b>	<b>184 922</b>	<b>25,50</b>

\*Based on 725 183 772 units in issue throughout all reporting periods.

### 1.2 Prior year adjustment

In the prior year deferred taxation was provided on the straight line rental adjustment for properties owned by the Fund. Confirmation that the Fund is deemed to be a vesting trust for taxation purposes requires that no deferred taxation should be provided on the straight line rental adjustment for properties owned by the Fund. The financial statements of the prior period have been restated to reflect this change. The effect of the restatement on the financial statements is summarised below:

(R000)	Six months to 31.01.2006 (Unaudited)	Six months to 31.01.2005 (Unaudited) Restated	Year to 31.07.2005 (Unaudited) Restated
Unitholders' funds at beginning of period	-	19 889	19 889
Net profit for the period	-	-	544
	-	19 889	20 443

This adjustment has not been audited.

### 1.3 Primary operational segments for the six months ended 31 January 2006

Business segment (R000)	Industrial	Office	Retail	Corporate	Group
<b>Income statement</b>					
Rental income	79 087	12 177	29 908	-	121 172
Straight line rental adjustment	2 838	3 989	6 925	-	13 752
<b>Revenue</b>	<b>81 925</b>	<b>16 166</b>	<b>36 833</b>	<b>-</b>	<b>134 924</b>
Net property income	74 460	13 576	33 126	-	121 162
Interest received	-	-	-	2 296	2 296
Interest paid	-	-	-	(10 527)	(10 527)
Surplus on revaluation of interest rate swap derivative	-	-	-	1 136	1 136
Fund expenses	-	-	-	(8 531)	(8 531)
Deferred taxation on straight line rental adjustment	214	27	(419)	-	(178)
Capital deficit on disposal of investment properties	(672)	(2 470)	(50)	-	(3 192)
Write-up on revaluation of investment properties net of taxation	87 295	3 033	7 348	-	97 676
<b>Net profit</b>	<b>161 297</b>	<b>14 166</b>	<b>40 005</b>	<b>(15 626)</b>	<b>199 842</b>
<b>Balance sheet</b>					
Investment property	1 390 643	195 232	597 599	-	2 183 474
At valuation	1 437 240	204 929	613 651	-	2 255 820
Straight line rental adjustment	(46 597)	(9 697)	(16 052)	-	(72 346)
Current and other long term assets	75 100	15 759	30 154	60 093	181 106
Excluding rental straight line adjustment	28 503	6 062	14 102	60 093	108 760
Rental straight line adjustment	46 597	9 697	16 052	-	72 346
Total assets	1 465 743	210 991	627 753	60 093	2 364 580
Interest bearing borrowings	-	-	-	337 600	337 600
Interest rate swap derivative	-	-	-	466	466
Current liabilities	5 703	1 633	7 151	22 223	36 710
Taxation	14 333	226	478	-	15 037
Distribution payable	-	-	-	90 648	90 648
Total liabilities	20 036	1 859	7 629	450 937	480 461

## MARRIOTT PROPERTY FUND MANAGERS LTD

Registered office	Transfer secretaries	Sponsors
Marriott at Kingsmead Kingsmead Office Park Durban 4001	Computershare Investor Services 2004 (Pty) Limited (181 107) 9th Floor, 70 Marshall Street Johannesburg 2001	Exchange Sponsors (Pty) Limited 39 First Avenue Hyde Park 2196
PO Box 207 Durban 4000 Tel: (031) 366-1111	PO Box 61051 Marshalltown 2107 Tel: (011) 370-5000	PO Box 411216 Craighall 2024



EXCHANGE SPONSORS (PTY) LIMITED

## COMMENTS

### 1. Commentary

In line with management's expectations, the Fund's property portfolio has shown sound performance in the first half of the financial year. Buoyed by the much improved fundamentals in the local property market, vacancies in the portfolio have declined to 1% of the total lettable area and the industrial portfolio is currently fully let. Market rentals in both the industrial and office sectors continue to show growth and this, together with the sustained retail sector performance, is positive.

Distributable income for the six months to 31 January 2006 amounts to R90,6 million or 12,50 cents per unit. Notwithstanding the steady rental growth from the balance of the portfolio, the reversion to market of two substantial leases which had escalated beyond market over the last ten years, has inhibited earnings growth in Martprop in the current financial year.

The lease over 425 West Street Durban, which still has ten years to run, was subject to a market review resulting in net property income in the first six months declining by R3,2 million over the same period last year. This property is located in a dynamic retail node where trading densities are improving and is let to a blue-chip national retailer. With escalation and turnover rates in line with market norms, this investment will show sustained income growth for the balance of the lease.

The final distribution for this financial year will reflect the improving market conditions and strengthening rentals and will be approximately 8% higher than this interim distribution.

### 2. Funding

Martprop's loan facility with Nedbank Limited has been re-negotiated and the Fund now enjoys one of the lowest costs of finance in the sector without the setup costs and inflexibility of securitised debt. The terms of the R750 million facility, which can be accessed subject only to the prescribed 30% gearing limit applicable to PUT's, are at prime less 2,3% for variable rate funding and at an all-in margin of 1,3% for fixed rate debt.

The revised rates were applicable from 1 November 2005 and, while the Fund's limited debt exposure curtailed the positive impact of these lower funding rates in the first half, unitholders will enjoy the benefits of the lower costs as the acquisitions and developments come on stream in the second half of 2006.

### 3. Portfolio activity

During the period under review Martprop concluded the acquisition of six properties for a total of R158,1 million, details of which are set out below, as well as the disposal of ten properties for R39,6 million.

Four warehousing properties in Gauteng were acquired in the first half of the year. Picpack Grindrod have signed a five year lease on a 17 000m<sup>2</sup> warehouse in Jet Park, which was acquired for R35