MARTPROP PROPERTY FUND

Share code: MTP ISIN code: ZAE000037271

REVIEWED RESULTS AND DISTRIBUTION DECLARATION

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 2005.

CONSOLIDATED BALANCE SHEET (R000)	Note	31.07.2005 (Reviewed)	31.07.2004 (Audited)
Assets			
Non-current assets			
Investment properties		**1 902 184**	1 390 143
– At valuation		**1 960 782**	1 447 185
– Straight line rental adjustment	1.1	**(58 598)**	(57 042)
Rental receivable – straight line adjustment	1.1	**46 085**	44 050
Current assets			
Trade and other receivables		**52 427**	34 192
– Trade and other receivables		**39 914**	21 200
– Rental receivable – straight line adjustment	1.1	**12 513**	12 992
Cash resources and short-term investments		**66 529**	78 159
Total assets		**2 067 225**	1 546 544
Unitholders' funds and liabilities			
Unitholders' funds		**1 754 492**	1 395 250
– Before rental straight line adjustment		**1 774 925**	1 415 139
– Rental straight line adjustment	1.1	**(20 433)**	(19 889)
Non-current liabilities			
Interest bearing borrowings		**155 000**	–
Interest rate swap derivative		**1 602**	2 116
Deferred capital gains taxation		**9 583**	(44)
Deferred taxation on rental straight line adjustment	1.1	**22 613**	22 012
Current liabilities			
Trade and other payables		**25 162**	29 212
Capital gains taxation and Secondary taxation on companies		**3 905**	6 945
Distributions payable		**94 868**	91 053
Total unitholders' funds and liabilities		**2 067 225**	1 546 544

CONSOLIDATED INCOME STATEMENT (R000)	Note	% change	Year to 31.07.2005 (Reviewed)	Year to 31.07.2004 (Audited)
Revenue (rental income)			**240 642**	215 837
– Cash flows inherent in leases		12%	**239 086**	212 948
– Straight line adjustment	1.1		**1 556**	2 889
Net property expenditure			**(35 591)**	(36 024)
Net property income			**205 051**	179 813
Interest received			**4 440**	5 711
Interest paid			**(15 805)**	(4 662)
Surplus on revaluation of interest rate swap derivative			**514**	584
Fund expenses			**(9 242)**	(8 439)
Taxation on rental straight line adjustment	1.1		**(601)**	(1 082)
Headline earnings	2	7%	**184 357**	171 925
Capital surplus/(deficit) on disposal of investment properties/investments			**1 154**	(2 800)
Write-up on revaluation of investment properties			**369 534**	59 779
– As per valuation			**371 090**	62 668
– Adjusted for rental straight line adjustment	1.1		**(1 556)**	(2 889)
Taxation			**(10 881)**	(2 907)
– On capital transactions			**(10 938)**	(3 101)
– Adjusted for rental straight line adjustment	1.1		**57**	194
Net profit for the year			**544 164**	225 997
Units in issue (000)	2		**725 184**	725 184
Units in issue – weighted* (000)	2		**725 184**	697 128
Net headline earnings – weighted* (cents per unit)	2			
– On headline earnings excluding rental adjustment			**25,29**	24,40*
– Adjusted for rental straight line adjustment net of taxation	1.1		**0,13**	0,26*
– Net			**25,42**	24,66*
Net profit – weighted* (cents per unit)	2			
– On net profit excluding rental adjustment			**75,11**	32,55*
– Adjusted for rental straight line adjustment net of taxation	1.1		**(0,07)**	(0,13)*
– Net			**75,04**	32,42*
Net distributable income (cents per unit)	2	3%	**25,50**	24,75

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R000)	Note	Year to 31.07.2005 (Reviewed)	Year to 31.07.2004 (Audited)
Unitholders' funds at beginning of year		**1 395 250**	1 178 277
Prior year rental straight line adjustment	1.1	–	(19 001)
Restated balance at beginning of year		**1 395 250**	1 159 276
Capital movements		**361 276**	238 318
Write-up on revaluation of investment properties		**369 534**	59 779
Capital surplus/(deficit) on disposal of investment properties/investments		**1 154**	(2 800)
Taxation		**(10 881)**	(2 907)
Surplus on revaluation of interest rate swap derivative		**514**	584
Loss in investment property companies carried forward		–	(930)
84 167 903 units issued		–	189 518
Rental straight line adjustment net of taxation	1.1	**955**	1 807
Transfer to revenue of distribution prepaid received on units issued		–	(6 733)
Maintenance reserves			
Net transfers from maintenance reserves		**(2 034)**	(2 344)
Revenue movements		–	–
Net profit for the year		**544 164**	225 997
Transfers to capital		**(361 276)**	(55 533)
Net transfers from maintenance reserves		**2 034**	2 344
Unclaimed distributions written-back repaid		–	(58)
Transfer from capital of distribution prepaid received on units issued		–	6 733
Available for distribution		**184 922**	179 483
Distribution attributable to unitholders		**(184 922)**	(179 483)
Unitholders' funds at end of year		**1 754 492**	1 395 250

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT (R000)	Note	Year to 31.07.2005 (Reviewed)	Year to 31.07.2004 (Audited)
Cash inflows from operating activities			
Net profit for the year	1.1	**544 164**	225 997
Adjustment for:			
Interest received		**(4 440)**	(5 711)
Interest paid		**15 805**	4 662
Write-up on revaluation of investment properties net of taxation		**(358 653)**	(56 872)
Taxation on rental straight line adjustment	1.1	**601**	1 082
Capital (surplus)/deficit on disposal of investment properties		**(1 154)**	2 800
Surplus on revaluation of interest rate swap derivative		**(514)**	(584)
Operating profit before working capital changes		**195 809**	171 374
Working capital changes	1.1	**(24 320)**	7 031
Cash generated from operations		**171 489**	178 405
Interest received		**4 440**	5 711
Interest paid		**(15 805)**	(4 662)
Taxation paid		**(4 294)**	(370)
Distributions paid		**(181 107)**	(165 749)
Net cash (outflow)/inflow from operating activities		**(25 277)**	13 335
Net cash outflow from investing activities		**(141 353)**	(68 124)
Net cash inflow from financing activities			
Increase/(decrease) in interest bearing borrowings		**155 000**	(65 644)
Units issued		–	182 785
Distribution pre-payments received		–	6 733
Net (decrease)/increase in cash		**(11 630)**	69 085
Cash resources at beginning of year		**78 159**	9 074
Cash resources at end of year		**66 529**	78 159

OTHER INFORMATION (R000)	Year to 31.07.2005 (Reviewed)	Year to 31.07.2004 (Audited)
Debt funding facility (R000)	**350 000**	350 000
Available capacity	**238 000**	84 000
Less: Facility utilised	**(155 000)**	–
Drawdown on facility	**(197 500)**	(17 500)
Facility repaid, available for re-advance	**42 500**	17 500
Facility available at end of year	**433 000**	434 000
Adjusted for future capital commitments and proceeds on disposal	**(348 853)**	(173 101)
Capital commitments	**(382 968)**	(223 277)
Proceeds on disposal	**34 115**	50 176
Anticipated available loan capacity	**84 147**	260 899
Capital cash (R000)	**33 533**	8 846
Vacancy factor (based on lettable area)	**2%**	4%
Valuation analysis (cents per unit)		
Net asset value (including final interim distribution yet to be paid)	**255**	205
Listed market price	**291**	225
Premium to net asset value	**14%**	10%
Capitalised interest (R000)	**311**	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 except as stated below:

   1.1 Rental income is recognised on the straight line basis in accordance with the requirements of AC 105 (Leases), where it was previously recognised in terms of the cash flows inherent in the leases. This adjustment has reduced unitholder funds by the tax on the rental adjustment for properties owned by the Fund. It has also decreased the carrying value of investment property, increased the current and long term receivables and created a deferred tax liability. The impact of this change has been disclosed separately on the face of the income statement and balance sheet. Rental income will continue to be distributed based on the actual cash flows in terms of the leases in accordance with the Trust Deed and normal prudent business practice.

2. **Distributable income reconciliation**

	31.07.2005 (Reviewed) R000	CPU	31.07.2004 (Audited) R000	CPU
Net profit (earnings)	**544 164**	**75,04**	225 997	32,42*
Adjustments for:				
Capital (surplus)/deficit on disposal of investment properties/investments	**(1 154)**		2 800	
Write-up on revaluation of investment properties net of taxation	**(358 653)**		(56 872)	
Headline earnings	**184 357**	**25,42**	171 925	24,66*
Surplus on revaluation of interest rate swap derivative	**(514)**		(584)	
Net transfers from maintenance reserves	**2 034**		2 344	
Unclaimed distributions written-back repaid	–		(58)	
Adjusted for rental straight line adjustment net of taxation	**(955)**		(1 807)	
Losses in investment property companies carried forward	–		930	
Distributable income	**184 922**		172 750	
Distribution pre-payment received	–		6 733	
Distributions attributable to unitholders**	**184 922**	**25,50**	179 483	24,75

*Weighted earnings and weighted headline earnings per unit were 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.

3. **Primary operational segments for the year ended 31 July 2005**

Business segment	Industrial	Office	Retail	Fund	Group
Income statement	R000	R000	R000	R000	R000
Revenue	149 777	23 894	66 971	–	240 642
– Cash flows inherent in leases	150 943	24 255	63 888	–	239 086
– Straight line adjustment	(1 166)	(361)	3 083	–	1 556
Net property expenditure	(18 530)	(7 508)	(9 553)	–	(35 591)
Net property income	131 247	16 386	57 418	-	205 051
Interest received	2 079	390	293	1 678	4 440
Interest paid	–	–	–	(15 805)	(15 805)
Fund expenses	–	–	–	(9 242)	(9 242)
Surplus on revaluation of interest rate swap derivative	–	–	–	514	514
Net capital deficit on disposal of investment properties/ investments	2 776	(121)	(901)	(600)	1 154
Write-up on revaluation of investment properties	291 719	25 364	52 451	–	369 534
– As per valuations	290 553	25 003	55 534	–	371 090
– Adjusted for rental straight line adjustment	1 166	361	(3 083)	–	(1 556)
Taxation on rental straight line adjustment	497	135	(1 233)	–	(601)
Taxation	(10 059)	(279)	(543)	–	(10 881)
Net profit for the year	418 259	41 875	107 485	(23 455)	544 164
Balance sheet					
Investment properties	1 226 950	149 656	525 578	–	1 902 184
– As per valuations	1 270 710	155 365	534 707	–	1 960 782
– Straight line rental adjustment	(43 760)	(5 709)	(9 129)	–	(58 598)
Current and other long-term assets	70 320	12 522	17 859	64 340	165 041
– Excluding rental straight line adjustment	26 560	6 813	8 730	64 340	106 443
– Rental straight line adjustment	43 760	5 709	9 129	–	58 598
Total assets	1 297 270	162 178	543 437	64 340	2 067 225
Interest bearing borrowings	–	–	–	155 000	155 000
Interest rate swap derivative	–	–	–	1 602	1 602
Trade and other payables	1 553	2 929	2 443	18 237	25 162
Taxation	29 072	2 581	4 448	–	36 101
– Excluding rental straight line adjustment	14 451	420	797	–	15 668
– Rental straight line adjustment	14 621	2 161	3 651	–	20 433
Distributions payable	–	–	–	94 868	94 868
Total liabilities	30 625	5 510	6 891	269 707	312 733

REVIEW BY INDEPENDENT AUDITORS

Martprop's auditors, Deloitte & Touche and PKF David Strachan and Tayler have reviewed the preliminary financial results of the group for the year ended 31 July 2005. Their unqualified report is available for inspection from the group's secretary.

COMMENTS

1. **Results**

   Martprop's distributable earnings for the financial year ended 31 July 2005 amount to 25,50 cents per unit. This represents growth of 3,0% over the distribution of 24,75 cents per unit for last year. A final distribution of 13,00 cents per unit has been announced, which is 4,0% higher than the corresponding distribution in 2004.

   This translates to an income return of 11,33% on the opening unit price of 225 cents per unit at 1 August 2004 and a total return of 40,66%, given the 29,33% capital appreciation of Martprop units during the financial year.

   Management's strategy to realign the Fund which began three years ago has seen the exposure to retail properties increase to 27% in pursuit of a more diversified portfolio. At the same time, the Fund has disinvested from higher yielding small industrial and underperforming properties in order to secure more reliable income streams. These 2005 financial results incorporate the acquisition of an undivided half share in Musgrave Centre, Durban, the development of two retail centres in the Western Cape, the development of a warehousing facility in Gauteng and the disposal of twenty properties, which are referred to in more detail below.

   The net asset value of the Fund as at 31 July 2005 amounts to 255 cents per unit which is an increase of 24% over last year. This increase is directly attributable to the revised property portfolio valuation which reflects the strong demand for investment properties and the continued decline in capitalisation rates.

   The changes to the interpretation of the accounting statement dealing with leases has resulted in prior year adjustments as referred to in note 1.1 above. The effect of this change is to reduce the Group's net asset value by R20 million (3,00 cents per unit), being the deferred taxation adjustments on properties owned by the Fund. This liability will never be payable.

2. **Property portfolio**

   The performance of the Fund's property portfolio in the past year has been characterised by an overall improvement in rental growth, reflecting the strong fundamentals of the property market. This general improvement has been limited by the reversion to market rentals of five long leases which expired or were reviewed during the year.

   The industrial portfolio continued to perform well, in line with the sustained demand for high quality distribution and warehousing space. Industrial vacancies at year end comprised less than 1% of lettable area, which is indicative of the healthy state of the industrial property market and the quality of Martprop's assets. Rental growth across the bulk of the industrial portfolio has been in line with this trend, but this upside has been diluted by market reviews in certain large leases. Thirteen industrial properties have been sold during the year for a total of R43,0 million, in line with the Fund's ongoing policy of disposing of underperforming assets. A vacant industrial site was also disposed of for R10,75 million. In September 2004 the Fund completed a 12 000m² distribution warehouse for the Fuel Group in Centurion at a cost of R24,3 million at a commencing yield of 12,5% on a seven year lease.

   The retail portfolio has been bolstered by the acquisition of an undivided half share in Musgrave Centre in Durban and the completion of the developments at Stellenbosch and Tokai. The high level of consumer spending that has been experienced in recent years looks set to continue and this will have a positive impact on the performance of the new assets. Trading levels since the opening of Stellenbosch Square have been below management's expectations and this has partly offset some of the stronger rental growth that has come through on the balance of the retail portfolio. It is expected that the performance of this investment will improve during the next year.

   Four retail properties were disposed of, realising a total of R43,5 million. The centres sold were located in areas which no longer hold sustainable growth opportunities and were threatened by regional competition.

   The small office portfolio has performed in line with expectations. Two office buildings were sold during the year for R8,9 million in total.

   Management has largely completed the process of selling under-performing assets and, while properties which do not meet with the Fund's investment focus will still be identified for disposal, it is expected that the sales activity will reduce significantly in the coming years. The core portfolio represents assets which are well positioned to generate steady long-term income growth for the benefit of unitholders.

3. **Acquisitions and developments subsequent to year end**

   Martprop has concluded the acquisition of three industrial properties in Gauteng for a total of R104,5 million at an average initial yield of 10,25%. These properties are leased to listed industrial and logistics companies on leases that range between five and seven years. Agreement has also been reached for the development of a distribution park for various divisions of the Fuel Group in Cape Town at a cost of R50 million. This is expected to be completed by April 2006 at an initial yield of 10,5%.

   The Fund is undertaking the development of Umlazi Megacity in Durban in conjunction with SA Retail Properties Limited. This exciting R150 million scheme is substantially let to national retailers and is extremely well positioned to bring quality retail facilities to the doorstep of a large community with substantial spending power. The minimum initial yield on this development will be 11,25%. Agreement has also been reached for the acquisition of two community centres in Gauteng in the amount of R32,0 million and R36,7 million respectively, both of which will yield in excess of 10,75% on commencement.

   With the office market showing signs of sustainable recovery, management has identified the value of acquiring well located, A grade offices leased at market rentals. The Fund has reached agreement to acquire two office buildings in Sandton and Midrand, both let to single blue chip tenants on long leases, for a total of R59,8 million. These acquisitions will commence at a yield of 9,75% on transfer.

4. **Funding**

   Drawdowns from the loan facility at year end amount to R197,5 million, with outstanding capital commitments of R383,0 million.

   The debt has been drawn down from the existing loan facility that is in place with Nedbank Limited. Due to the low debt levels relative to the Fund's asset value at 10% and the strong cash flows generated by the portfolio, management has left the borrowings at a variable interest rate, which is currently 9% per annum. As the above acquisitions and developments are brought on stream and the debt exposure increased, management will consider the fixing of interest rates on appropriate levels of debt to prudently manage interest rate risk.

5. **Prospects**

   There has been a strong upward trend in rental growth throughout the portfolio. Following long periods of high escalation rates, however, two substantial leases in the Fund's portfolio have been favourably renewed, albeit at lower market rentals and these will have an adverse impact on the growth in distributable income for the 2006 financial year. The 425 West Street, Durban lease which was negotiated effective 1 June 2005 has a further ten years to run. The lease over 27 Jet Park Road, Jet Park has been renewed for five years at market related levels. Notwithstanding that these two reversions will reduce property income growth by approximately 4% next year, investors can expect similar growth in distributions as in the year ended 31 July 2005.

   An analysis of the current lease profile confirms that the Fund is no longer exposed to leases that are significantly above market related rental levels and therefore the portfolio is expected to deliver stronger earnings growth in the year commencing 1 August 2006.

DISTRIBUTION DECLARATION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution number 21 in respect of the income distribution period 1 February 2005 to 31 July 2005. The distribution amounts to 13,00 cents per unit.

Last date to trade cum distribution	Friday, 16 September 2005
Units will trade ex-distribution	Monday, 19 September 2005
Record date to participate in the distribution	Friday, 23 September 2005
Payment of distribution	Monday, 26 September 2005

Unit certificates may not be dematerialised or re-materialised between Monday, 19 September 2005 and Friday, 23 September 2005 both days inclusive.

MARRIOTT PROPERTY SERVICES (PTY) LIMITED
SECRETARIES

26 August 2005

Registered office
Marriott at Kingsmead
Kingsmead Office Park
Durban
4001
PO Box 207
Durban 4000
Tel: (031) 366-1111

MARRIOTT PROPERTY FUND MANAGERS LTD

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

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

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

Sponsor
Exchange Sponsors (Pty) Ltd
39 First Avenue
Hyde Park
2196

www.martprop.co.za