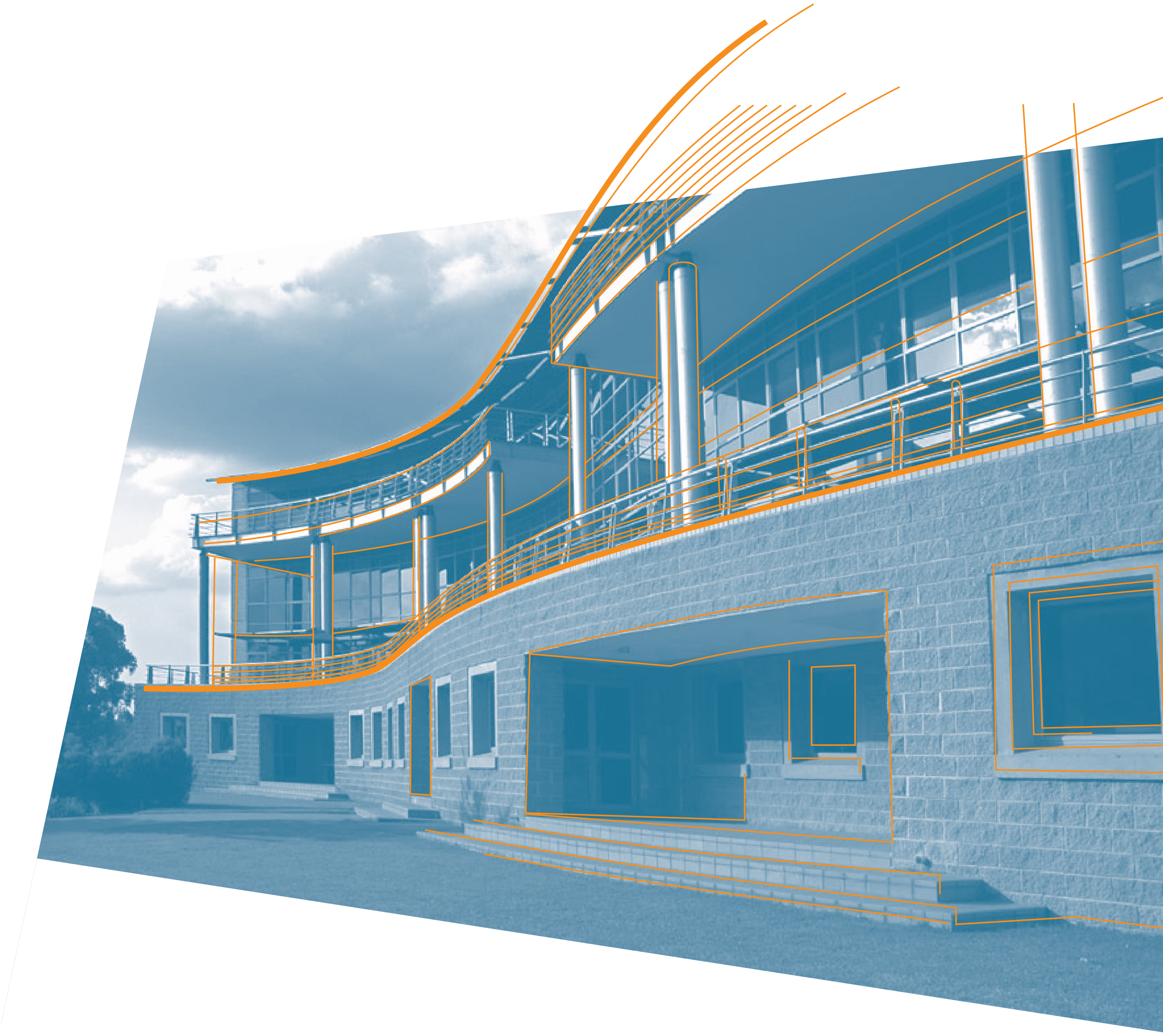
annual report 2007



SYCOM PROPERTY FUND

contents

paarl mall

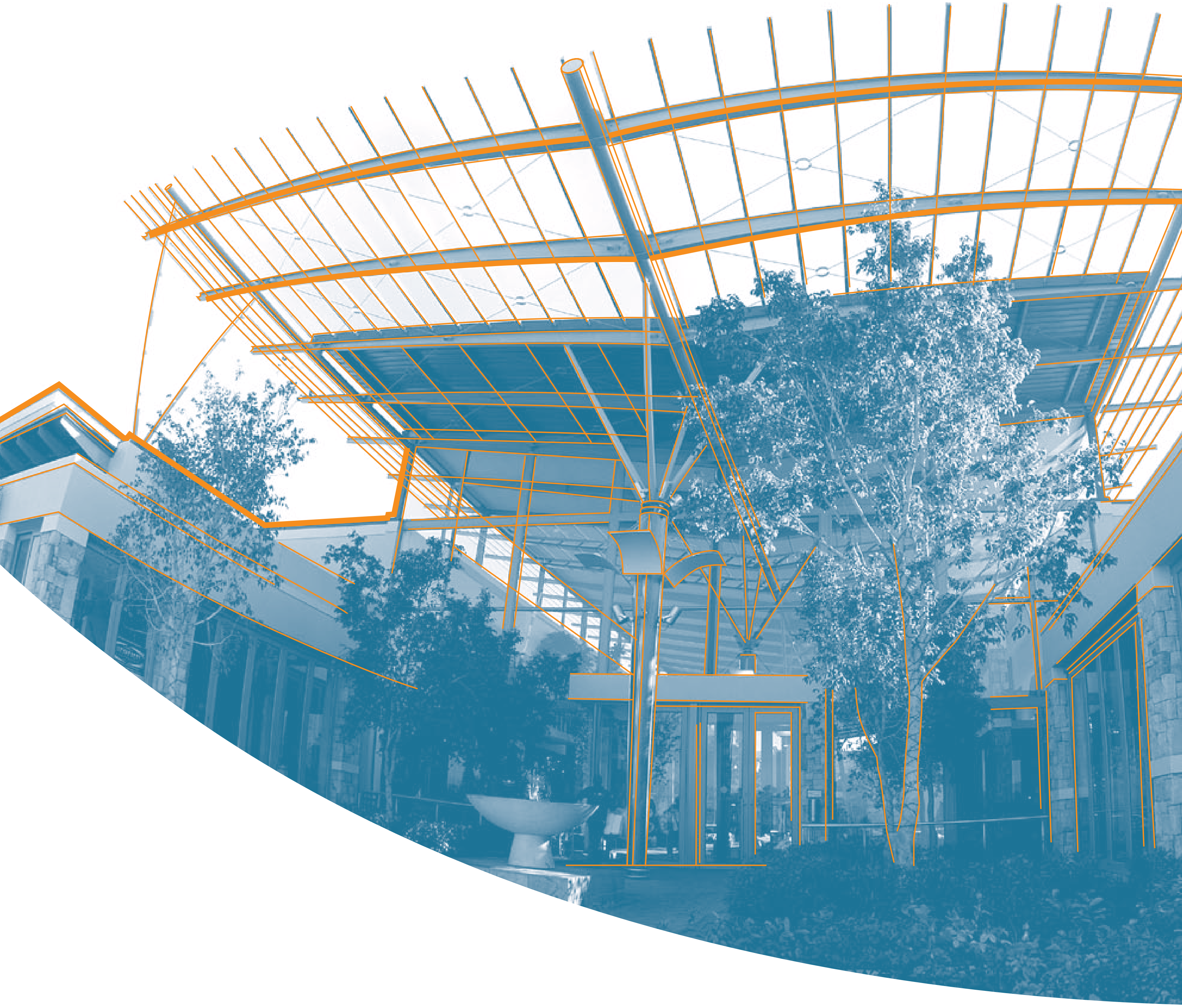
Regional shopping centre

Location

Paarl

Area

36 500m^2



profile

Sycom Property Fund (the Fund) is a closed-end property unit trust (PUT) established in 1986 governed by the Collective Investment Schemes Control Act, 2002 and listed on the JSE Securities Exchange of South Africa (JSE).

The Fund's earnings are distributed in full, free of tax and unitholders consequently pay tax according to their individual tax status.

The Fund consists of investments in 15 properties with relatively equal weighting in retail and commercial office sectors. The retail exposure comprises investments in regional shopping centres, while the office component consists of large, well-located, A-grade office buildings and office parks with predominantly large corporate tenants.

Approximately 59 percent of the portfolio, by value, is located in Gauteng, with the remainder in the Western Cape.

The Fund's net asset value is R2,91 billion and at 31 March 2007 the Fund was capitalised on the JSE at R3,80 billion.

There are 183,36 million units in issue, held by approximately 2 234 unitholders.

Sycom Property Fund Managers Limited, whose objective is to maximise returns to unitholders, manages the Fund. This is accomplished through a strategy of active management, and where appropriate, rebalancing or developing the assets of the Fund to achieve a portfolio comprising relatively equal exposure to large, quality, well-located commercial office and retail properties all capable of providing sustained income and capital growth.

structure

unitholders

Effective direct ownership in property portfolio

management

Sycom Property Fund Managers Limited
Manages the Fund and its assets
Reports to unitholders

Parkdev (Pty) Ltd
Asset Managers
Secretaries to Sycom Property Fund Managers Limited

Property Administrators
Akhona-Broll Properties (Pty) Ltd
Broll Property Group (Pty) Ltd
Grapnel Property Managers (Pty) Ltd
Marriott Property Services (Pty) Ltd
Parkdev (Pty) Ltd

regulatory bodies

JSE Securities Exchange
Ensures compliance with JSE requirements
Provides market for trading of units

Registrar of Collective Investment Schemes
Ensures compliance with Collective Investment Schemes Control Act, 2002
Monitors operation of property trust

Trustee – ABSA Bank Limited
Protects unitholders' interests
Acts as a custodian of Fund's assets and securities
Ensures compliance with trust deed

Auditors – Deloitte & Touche
Report on compliance with legislation and trust deed
Report on fair presentation of financial results

Sycom Property Fund

183 356 239 units listed on the JSE

Fixed Property Investments

key features

	2007	2006
Sycom Property Fund		
Distribution (cents per unit)	124.62	116.53
Growth in distribution	6.9%	5.1%
Vacancy factor at year-end (based on rentable area)	0.9%	1.0%
Property portfolio valuation at year-end (R'm)	3 480	2 983
Net asset value at year-end (cents per unit)	1 589	1 300
Listed market price at year-end (cents per unit)	2 070	1 925
Change on previous year	7.5%	38.0%
Premium to net asset value	30.3%	49.3%
Total returns for the 12 months ended March	24.1%	47.4%
FTSE / JSE Property Trust Sector		
Index at year-end	413.0	396.2
Change on previous year	4.2%	52.7%
FTSE / JSE SA Listed Property Sector		
Index at year-end	339.1	300.8
Change on previous year	12.73%	59.8%

management company's report

for the year ended 31 March 2007

Introduction

Review of the past year:

The support for and interest in property as an investment vehicle remained at an unprecedented level during the past year both locally and internationally. This interest is being supported by an excess liquidity worldwide which is forcing investors to look for new opportunities in emerging markets. South Africa has not escaped this trend as is evidenced by the sale of the Victoria and Alfred Waterfront to an international consortium and regular enquiries and visits by fund managers from abroad.

Investor interest is supported by South Africa having a first world financial market with a strong banking sector and a well defined legal framework. Property ownership is entrenched in a national deeds registry and leases are generally structured with built-in rent escalation clauses. These factors, together with good liquidity on the stock exchange, make South Africa a strong contender for international investment.

Management sees these developments as extremely positive for South Africa and embraces the challenges and opportunities that such changes may bring. We believe the growth in the listed sector will continue and will be further supported by the anticipated changes to the regulations governing REITS in South Africa. Strong support for amending the regulations governing Property Unit Trusts in South Africa exists as this will lead to an internationally recognised REIT structure that will afford international investors an investment vehicle of choice. An unintended consequence of globalisation is the fact that the performance of South African property managers will increasingly be measured on a global basis. South Africa has ranked 1st in total returns for the 2006 year (2nd in 2005), in the IPD survey that covers data from 20 countries. This suggests that local managers can hold their own when compared to their counterparts around the globe. Management is, however, of the opinion that we can only remain competitive if we also invest abroad. This will ensure that our skills and knowledge base are developed and transferred to local markets.

A year ago interest rates and inflation together with a stable currency created a positive and encouraging environment for investors. This scenario has changed somewhat with inflation rising above the South African Reserve Bank's (SARB) upper limit of 6 percent and forcing the Governor of the SARB to raise interest rates several times. The inflation fears, together with the effects of the deficit on the balance of payments, will continue to put upward pressure on interest rates which will have a dampening effect on otherwise strong underlying property fundamentals, including an upswing in both occupancy and rentals across all sectors. In line with this trend, Sycom's total returns for the year amounted to 24,1 percent of which 13,2 percent comprised capital growth.

Sycom's development program will continue to form part of it's strategy to expand the portfolio of properties. The benefits of this strategy, which achieves the desired quality of product at enhanced returns, will flow through as the projects become income producing and then mature.

Sycom Property Fund Managers Ltd (SPFM) is the manager of Sycom in terms of the Collective Investment Schemes Control Act, 2002. In the first half of this financial year, Grapnel Property Group (Pty) Ltd, the ultimate shareholder of SPFM, disposed of its interests in SPFM to Parkdev (Pty) Ltd, a Pretoria based property and asset management company. Parkdev has been appointed by SPFM as asset manager of Sycom.

Parkdev is also the asset management company for Attfund Limited, an unlisted property investment company. Attfund has over R6,5 billion worth of property assets, which assets are very similar to those of Sycom. Attfund's assets include Clearwater Mall, Woodlands Boulevard, Garden Route Mall, CapeGate Shopping Centre, Atterbury Value Mart, a 25 percent interest in Centurion Mall as well as a number of office parks located in Gauteng and the Western Cape. Moreover, Attfund holds approximately 22 percent of the Sycom units in issue as well as approximately 3 percent of Deutsche Euroshop, a property fund listed on the Frankfurt Stock Exchange.

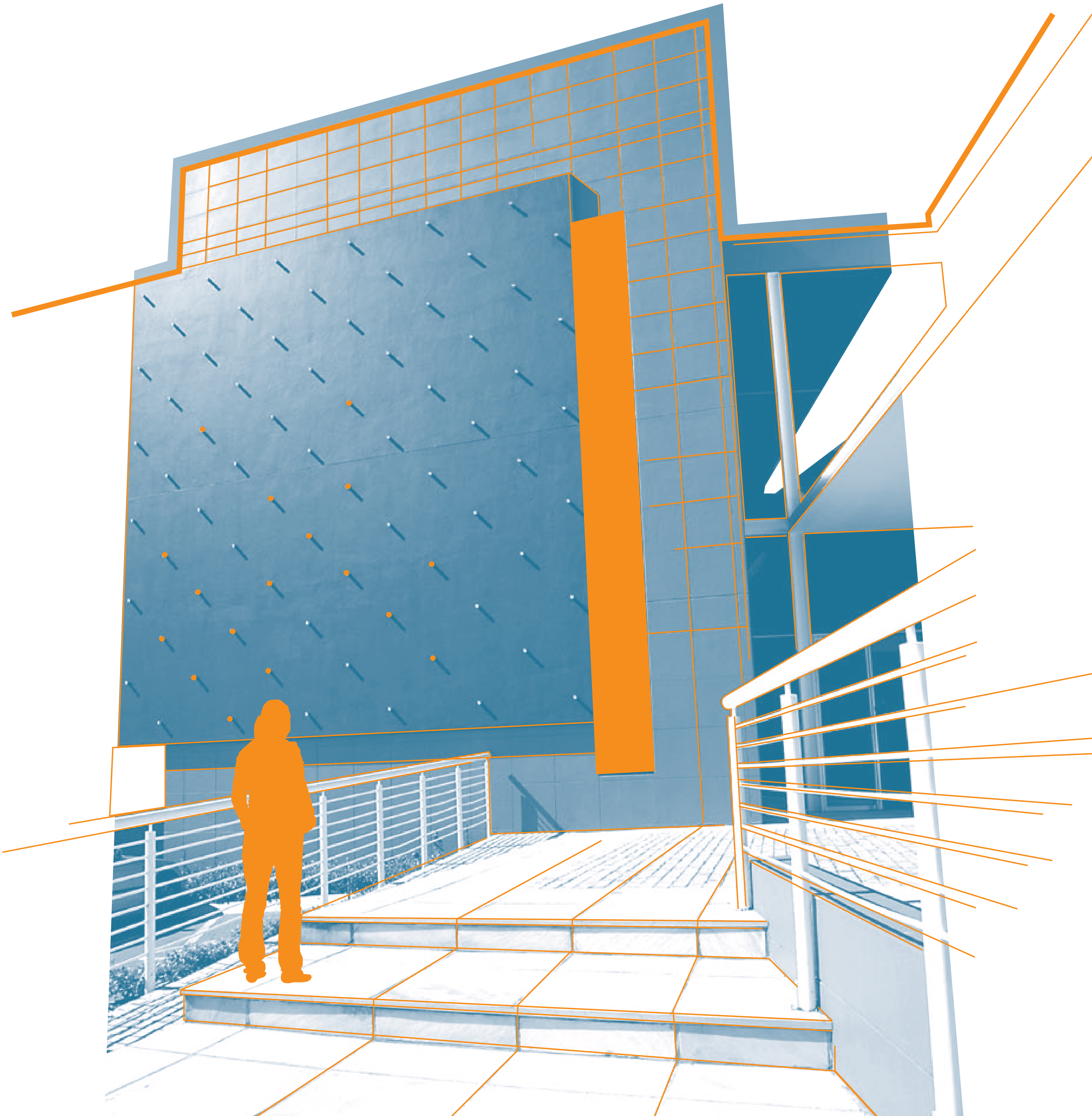
The hands-on management style of Parkdev as well as the collective bargaining power, that managing 12 regional malls offer, must stand to benefit Sycom in the long run. There will be no change in the current strategic thrust of Sycom, who will continue to develop and expand its existing portfolio. The focus may shift slightly towards investing in larger properties, where the benefits of a hands-on approach will have a greater impact on the performance of the Fund.

georgian crescent

Offices

Location
Bryanston, Sandton

Area
6 312m²



management company's report

for the year ended 31 March 2007 (continued)

Economic and financial overview

The past year has seen economic growth slow down as the impact of four consecutive interest rate hikes has taken its toll. This move by the SARB was necessitated due to inflationary pressures and a widening current-account deficit caused by a booming economy. It is our opinion that these hikes were necessary and executed in an orderly fashion, thereby limiting the possibility of excessive hikes at a later stage which would have been more damaging to the economy. Macro economic fundamentals are sound, and with prudent fiscal and monetary control, the economy should continue to grow well past the 2010 Soccer World Cup. Government is committed to hosting a successful World Cup and has embarked on a massive capital expansion program to improve the country's infrastructure. This includes the upgrading of airports, road and rail infrastructure. A major building program was launched for the construction of a number of stadia that will host World Cup games.

A positive impact that is difficult to quantify, but which makes a big difference in the economy, is the emerging black middle class. It is having a huge impact on retail sales, car sales and the housing market. The new middle class is a welcome addition to the economy and will go a long way in balancing South Africa's skewed demographic profile. The advent of this new middle class will broaden the tax base and boost government's coffers, allowing it greater spend on social programmes including education.

Given these favourable conditions, the platform is set for continued growth in investment properties. These positive factors could be hampered by factors such as high levels of development activity, creating additional supply, as well as further increases in interest rates which could further dampen economic activity.

Property market trends

Positive property fundamentals, underpinned by a sound economy, have ensured the continued strong performance of the local property market. Occupancies in retail properties are near maximum capacity while the office sector has seen an unprecedented demand that now exceeds supply. Unlike with previous upturns in the office sector, there is a shortage of land available for development. This is due to central government's desire to curb unchecked urban sprawl resulting in massive demands on infrastructure by increasing stringent zoning and planning controls. This initiative together with building cost inflation of approximately 15 percent per annum should further constrain speculative development, implying premiums for sought-after locations.

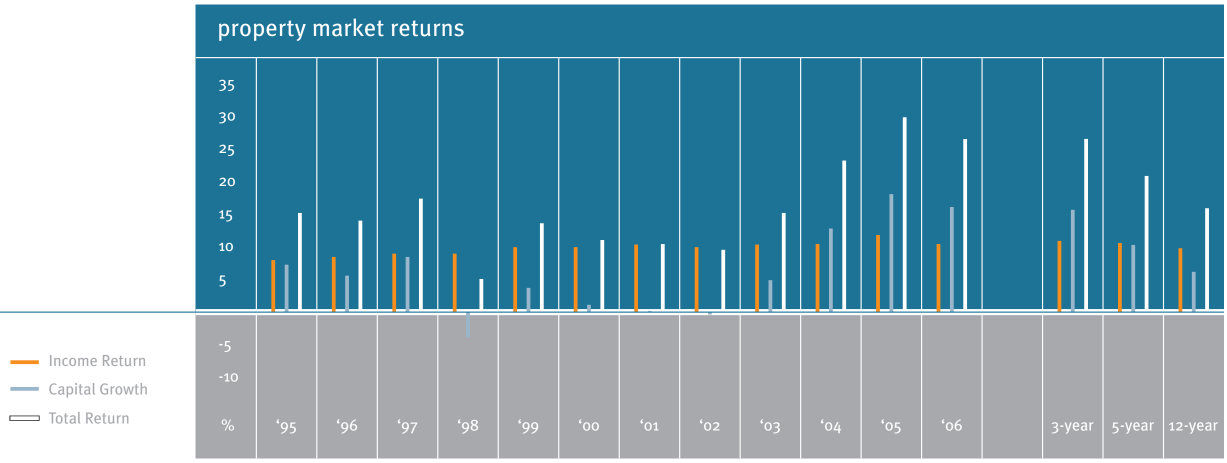
The Gautrain project, currently under construction, will provide a rapid rail link between Pretoria, Centurion, Midrand, Sandton and Johannesburg. Sandton will also be linked to O R Tambo International Airport. Through this project Johannesburg and Pretoria will at long last become part of the developed world where cities are served by a rapid rail link or Metro service. We believe that this project, which is the start of a fully fledged metro rail link will, have a positive effect on Gauteng but more specifically on those areas which are served by the rail link. These areas will see major growth as new high rise buildings are developed within walking distance of the stations in response to the demand created by people wanting to live and work near such facilities.

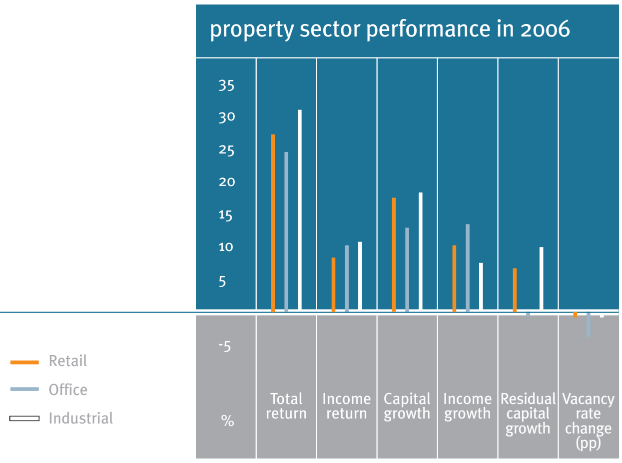
As much as the Gauteng Provincial Government should be applauded for their vision in starting the Gautrain project, they should be taken to task for their inability to solve the traffic congestion that is costing the economy and the tax payer dearly. Every additional hour that a delivery truck is delayed in getting its cargo delivered has a direct impact on the production capacity of that company, as well as the client, resulting in a loss of income and consequently fewer employment opportunities. The same applies to the time wasted by executives who arrive late at meetings or need to schedule fewer meetings due to the time it takes to get to a meeting. Gauteng accounts for approximately half of all vehicle sales in the country which suggests that a further 700 cars are added to the Gauteng roads every day of the year. This trend is clearly unsustainable and the Provincial Government is called on to act decisively to improve the road network in the Province. A lack of funds cannot be used as an excuse as millions of Rands in taxes are lost on a daily basis due to loss of productivity.

The IPD results for 2006 reflect overall returns for property totalling 26,7 percent, down from the previous record of 30,1 percent in 2005 but still the second highest since the start of the index in 1995. These returns include 9,2 percent income

management company's report

for the year ended 31 March 2007 (continued)





return and 16,2 percent capital growth. Vacancies have continued to fall due to increased demand and were down to 4,2 percent for all properties at the end of 2006.

The Retail Sector

The IPD results indicate that total returns from retail properties at 27,4 percent (2005: 33,0 percent) continued to produce exceptional returns with a net income growth of 10,2 percent resulting in an 8,4 percent income return and growth in capital values of 17,6 percent.

While retail sales remain strong, buoyed by general consumer confidence, this scenario is being threatened by the rise in inflation and interest rates. Credit demand remains above levels that are acceptable to the SARB and it can be expected that monetary policy will not be relaxed in the foreseeable future, hampering consumer spending in the year ahead.

The Office Market

The IPD 2006 results show that offices still lagged the retail and industrial sectors in performance. However, total return improved to 24,5 percent with capital growth at 13,0 percent (2005: 12,4 percent) and a solid net income growth of 13,6 percent generating an income return of 10,2 percent.

The occupancy trend is a good indicator of the property cycle. Across the major metropolitan areas this trend is looking increasingly positive, with the average office vacancy rate currently around 7,0 percent.

Listed Property Sector

The listed property sector vehicles comprising Property Unit Trust (PUT) and Property Loan Stock (PLS), produced sterling results for the year to December 2006 with a 33,8 percent return for PLS's and 16,2 percent return for the PUT's.

Bond yields strengthened for most of the year with listed property yields remaining inverted with the average listed property sector yield now standing at a premium to bond yield of around 200 basis points.

The listed property sector has experienced robust growth over the past three years, both in size and popularity with investors. The sector's market capitalisation has grown to R140 billion (Euro 14,7 billion) over the past 5 years.

Investment in listed property is mostly an income purchase and the potential for earnings growth remains critical to the health of the sector, especially

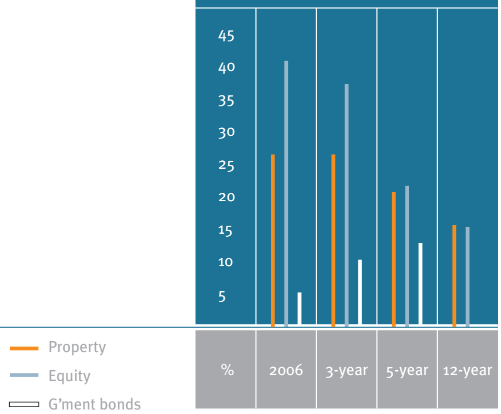
management company's report

for the year ended 31 March 2007 (continued)

now that listed yields are positioned at a premium to bond yields. However, with distribution growth forecasts around the 7 to 10 percent level, the listed property sector will remain attractive to investors seeking predictable interest income and long-term growth.

Distribution

asset classes – annualised rates of return to December 2006 over varying periods

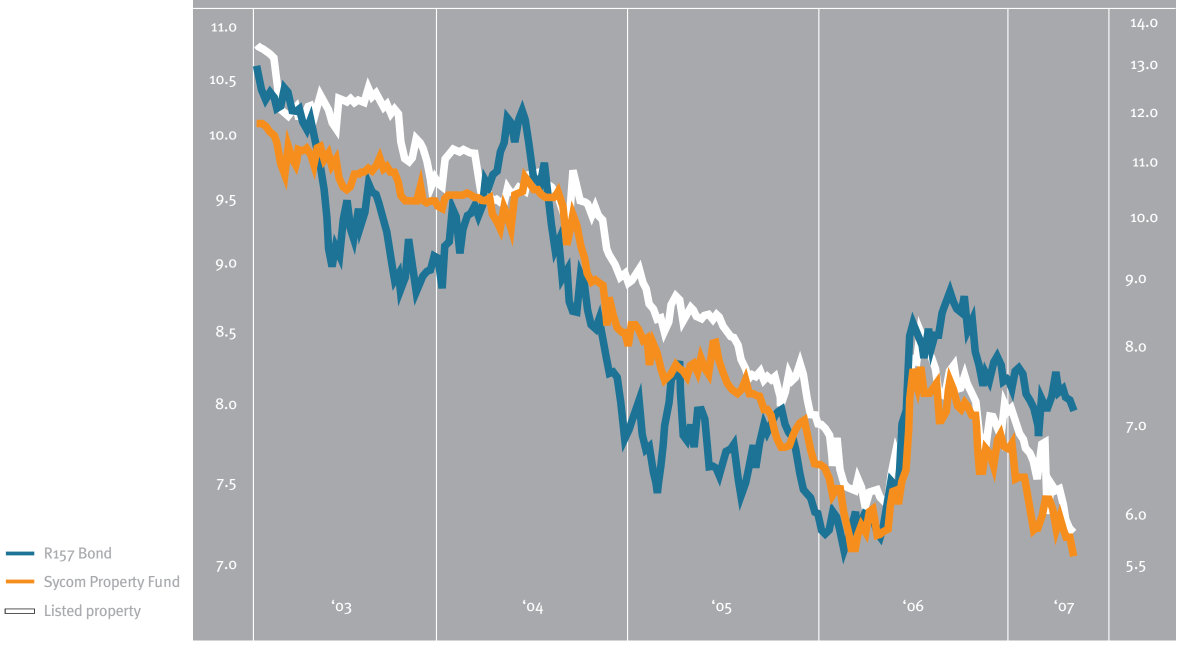


Distributions	Cents per unit: 12 Months ended 31 March 2007	Cents per unit: 12 Months ended 31 March 2006
No 41		54.97
No 42		61.56
No 43	59.40	
No 44	65.22	
Total	124.62	116.53

Performance

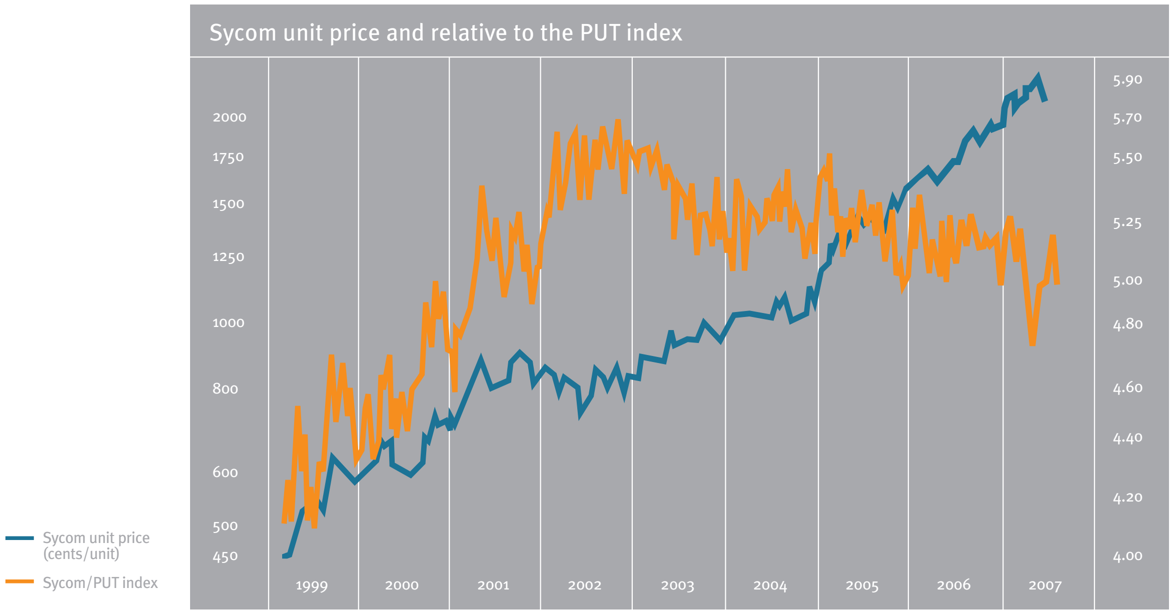
Sycom's distributable earnings for the financial year ended 31 March 2007 amounted to R228,5 million or 124,62 cents per unit. This represents 6,94 percent growth over the 116,53 cents per unit distribution for the year ended 31 March 2006. Over the past year, the Fund's total returns amounted to 24,1 percent (18,5 percent capital growth and 9,9 percent income return). Sycom posted a 27,7 percent return when measured over a period of 3 years.

comparative yields – listed property vs R157 bond vs sycom



management company's report

for the year ended 31 March 2007 (continued)



Property Portfolio

The portfolio now consists of 15 select high-end, low-risk properties. Retail contributes 55 percent of Sycom's gross property income and offices the remaining 45 percent. Geographically, 65 percent of the properties (by area) are located in Gauteng with the balance of 35 percent located in the Western Cape.

Sales

During the year the Fund disposed of three properties.

Hewlett Packard Building

Net proceeds amounted to R56,8 million with the effective date of 1 June 2006. This represented an exit yield of 8,8 percent and the surplus over book value was R3,8 million.

Azisa Building

Net proceeds amounted to R66,0 million with the effective date of 4 October 2006. The exit yield was 10,5 percent and the surplus over book value was R25,9 million.

Vaal Mall (20% undivided share)

During the course of the year Igwa Investments (Pty) Ltd and Kagiso Investments (Pty) Ltd acquired a 20 percent undivided share in terms of the developers' agreement.

The proceeds from the above disposals were utilised in reducing long term borrowings.

Acquisitions and Developments

Having developed a number of its own properties in the past, Sycom has positioned itself to benefit from the higher returns afforded by the managed risk of property development. In the current environment with limited acquisition opportunities, a development pipeline is one way of ensuring continuous supply of new products at superior returns, with specific investment criteria required for the creation of an ideal portfolio.

During the year Sycom continued its development programme comprising the following projects:

Vaal Mall

(51 percent undivided share)

This 48 328m^2 retail centre opened for trade on 27 April 2006, fully let. Early trading indications are extremely positive with initial average daily footfall and tenants turnover ahead of expectations. The final total cost is estimated at R406 million with an initial yield of 11 percent.

management company's report

for the year ended 31 March 2007 (continued)

N1 City extension

(42 percent undivided share)

The refurbishment project was completed in 2007. The total cost amounted to R118 million with an initial yield of 10,0 percent. The refurbishment added an additional 8 500m^2 of rentable space, 250 additional parking bays, and a refreshed exterior.

Harrowdene Office Park

Phase 6 of Harrowdene Office Park comprises two buildings totalling 6 345m^2 at a cost of R52,9 million. The project was completed end September 2006, and a single tenant has taken occupation on a 5 year lease. This effectively brings to an end the construction of Harrowdene Office Park which has been developed by the Fund, in phases, over the past 12 years and now comprises 36 418m^2 of office space.

The Woodlands Office Park

(40 percent undivided share)

This office park has approximately 30 000m^2 of remaining bulk available, which will be developed in three phases. Construction of two buildings, measuring 9 492m^2 in total, has commenced with completion expected end of February 2008. The first building measuring 6 182m^2 is let and management is positive that the remaining building will also be let before completion. The cost of Sycom's 40 percent undivided share in the development is R46,2 million. The office vacancies currently amount to 1,4 percent.

Capital Projects

During the course of the year capital expenditure amounted to R171,6 million. Of this, R135,2 million related to the aforementioned development projects. The balance entailed expenditure on existing properties.

Property Valuation and Net Asset Value

The property portfolio was again independently valued at year-end, resulting in a revaluation surplus of R509,7 million with the total value of the Fund's properties being set at R3,48 billion. The resultant net asset value totalled 1 589 cents per unit, representing an increase of 22,2 percent from 1 300 cents per unit at 31 March 2006. The increase is attributable to the value of physical properties reacting to market demand and the general lowering of capitalisation rates.

Retail Portfolio

On the back of a buoyant consumer market, Sycom's retail portfolio which predominantly comprises investment in five regional shopping centres accounting for 55 percent of gross property income, has experienced good performance with rental income in aggregate exceeding budget. Vacancies in the retail portfolio remained low at 0,9 percent. The proportion of Turnover Rent remains low at 1,38 percent of the total retail income. Management is confident that this is an area where considerable improvement can be achieved.

Management is committed to improving non-rental income in the retail portfolio. Additional income can be generated from further promotions and advertising as the Fund's shopping centres are ideally suited to optimise income from these sources.

The following are the major retail properties:

Somerset Mall

(50 percent undivided share)

A 65 030m^2 regional shopping centre of which major tenants include Pick 'n Pay, Game, Woolworths, Foschini Group, Edgars, Truworths Group, Stuttafords, Mr Price Group, Ackermans, Dischem, Ster Kinekor and Clicks. Currently the mall is fully let and the property continues to trade well above the IPD national average.

Paarl Mall

(70 percent undivided share)

This 36 500m2 regional retail centre was successfully launched in 2006. Major tenants include Pick 'n Pay, Woolworths, Foschini Group, Edgars, Mr Price Group, Truworths, Ackermans and Clicks. Although the centre experienced trading densities below the IPD national average, management is confident that it will improve as the centre becomes settled. The high spend per head, which suggests a high income per capita in the catchment area, is an encouraging factor.

N1 City Mall

(42 percent undivided share).

A regional centre which measures 63 364m^2. This centre includes anchor tenants Pick 'n Pay, OK Hyperama, Woolworths, Edgars, Nu Metro, Mr Price Group, Clicks and Foschini Group. The centre's trade has increased significantly since the completion of the refurbishment in the prior year.

management company's report

for the year ended 31 March 2007 (continued)

Vaal Mall

(51 percent undivided share).

This fully let 48 328m² centre, was completed on 27 April 2006, and includes Pick 'n Pay, Game, Woolworths, Foschini Group, Edgars, Truworths Group, Mr Price Group, Ackermans, Dischem, Boardmans and Clicks as anchor tenants. The centre has performed exceptionally well since opening and its trading density is on par with the IPD's national average. After year end Sycom is in the process of increasing its undivided share in this property to 77,86 percent.

Fourways Crossing Retail Centre

(50 percent undivided share)

A value oriented 47 790m² destination shopping centre which has a large element of home décor/ lifestyle retailers. Major tenants include Pick 'n Pay, Hi-Fi Corporation, Sportsman's Warehouse, Seekers Travel, Loads of Living, Derakera Trading, House and Haven, Look 'n Listen, Stax, Toys 'R' Us and Furniture City. Vacancies remains low at 0,9 percent.

Office Portfolio

Sycom's office portfolio comprises eight A-grade, well-located properties with a predominance of large corporate tenants. The office market continues to recover with an increased demand for office space resulting in improved occupancy levels and rental growth. The office portfolio has performed in line with expectations.

With the improvement in the office letting market, the Fund's office portfolio vacancy has further reduced from 1,2 percent in March 2006 to a current level of 1,0 percent.

The following are the major office properties in which the Fund invested:

Harrowdene Office Park

The property, located adjacent to the motorway at the Woodmead interchange, was acquired in 1990 as a strategic landholding with a view to develop, on a phased basis, a superior quality office park set in a parkland environment. To date, some 36 418m² of offices have been developed in six phases comprising 17 buildings. Vacancies in the Park are currently a low 0,4 percent.

The Woodlands Office Park

(40 percent undivided share)

This property comprises 84 484m² of rentable area in a low-density landscaped environment adjacent to Harrowdene Office Park. Deloitte & Touche occupies 35 percent on a renewed long-term lease. The park is served by a small lifestyle centre measuring 2 497m², which comprises a daycare centre, restaurant and gymnasium. The development of two buildings measuring 9 492m² has commenced with completion expected end February 2008. The office vacancies currently amount to 1,4 percent.

Discovery Building

This is a newly re-developed premium grade office building of 22 526m². This state-of-the-art building accommodates the requirements of a single large corporate tenant with a remaining lease term of 5 years, while maintaining functionality for multiple tenancies should this be required in the future.

SHG Building

This flagship office building that was completed at the end of 2004, comprises 15 975m² of offices, fully let, and 1 905m² of ground floor retail. The major tenant is law firm Edward Nathan Sonnenberg on a remaining 7 year lease.

Expected material contributions to net property income for the year to 31 March 2008:

Property	Percentage contribution
Somerset Mall	14.8
Vaal Mall	12.5
Harrowdene Office Park	12.4
Paarl Mall	8.9
N1 City Mall	8.3
Fourways Crossing	8.3
Woodlands Office Park	8.2
Discovery Building	7.6
SHG Building	5.9
Southgate Mall and Value market	4.7

Vacancies and Expiries

Overall vacancies reduced to 0,9 percent as at 31 March 2007, with the largest vacancy of 868m² at the SHG building. The proportion of leases expiring for the period up to March 2008 is low at 5,1 percent by area.

management company's report

for the year ended 31 March 2007 (continued)

Capital Funds/Borrowings

At 31 March 2007 borrowings amounted to R529,3 million. Outstanding development and sundry capital expenditure commitments total R235,9 million. This amount will be reduced by the issue of new units amounting to R173,6 million for the purchase of Vaal Mall undivided share and the proceeds of R97 million for the sale of Arivia.com. This should leave a net loan of R494,6 million by 30 September 2007.

Units in Issue

At 31 March 2007 there were 183 356 239 units in issue. No additional units were issued during the course of the year. In terms of liquidity, 43,5 percent of the Fund's units were traded over the past year.

Trading Statement

In terms of paragraph 3.4(b)(v) of the Listings Requirements of the JSE, Sycom, in agreement with the JSE, has adopted distributable earnings per unit as a proxy for cash flow per unit as the financial results measurement for trading statement purposes. It was effective for the financial year ended 31 March 2007.

Prospects

South Africa now boasts some 21 Real Estate General Funds (unit trusts), after consolidation, focusing on the listed property sector. This number more than doubled over the last few years. Market capitalisation of the listed sector is expected to grow even further over the next year or two. Further growth will come from new listings, acquisitions and scrip demand from unit trust funds, private equity investors, retail investors and pension funds seeking to increase their allocation to property from their current low levels.

From a commercial property perspective, the short-term outlook is very positive with the greatest level of improvement anticipated from the office sector. Economic and business conditions on balance remain very favourable and this should serve to maintain healthy direct and listed property returns.

The healthy performance of the Fund's retail properties should continue with current vacancies of 0,9 percent and a low lease expiry profile of 5,7 percent of rentable retail area over the next twelve months.

The upturn in demand for office space should see further recovery in this sector and should impact positively on new leases and renewals for the Fund which has an office expiry profile of 4,4 percent of rentable area over the next year.

It is expected that growth in earnings for the year to 31 March 2008 will exceed that of the prior year.

Corporate Governance

The Board of Directors of Sycom Property Fund Managers Limited endorses the Code of Corporate Practices and Conduct as recommended in the second King Report in all material respects. In supporting the Code, the directors recognise the need to conduct the affairs of the Company and the Fund with integrity and accountability in accordance with generally accepted corporate practice and further recognise that they are ultimately accountable and responsible for the performance and affairs of the Company and the Fund.

The Fund is a trust and is managed by Sycom Property Fund Managers Limited in terms of the Collective Investment Schemes Control Act, 2002. Neither the Fund nor the management company has employees as all management and administrative functions are contracted out to third parties. Accordingly it has no worker participation or affirmative action programmes. The Board does, however, support and encourage their service providers to adhere to recommended practices and monitors progress as part of performance appraisal.

The Board is conscious of the need to uphold and support applicable legislation and to this end ensures that all occupational health and safety provisions are enforced at the buildings in the portfolio. It undertakes environmental impact studies where required and ensures that the provisions of the National Heritage Resources Act are complied with before embarking on any new property development.

Directors are appointed to hold office for an unspecified period, and at the Annual General Meeting each year, one third is requested to retire by rotation and may offer themselves for re-election. The Chairman and Chief Executive Officer are appointed to hold office for renewable periods not exceeding five and three years respectively.

management company's report

for the year ended 31 March 2007 (continued)

The table below shows the fees paid to the directors of the management company.

Directors of the Management Company	12 months 31 March 2007	12 months 31 March 2006
	R'000	R'000
Non-executive		
T E Sewell* (Chairman)	95	67
F M Berkeley*	79*	57*
J P D Flanagan	70	45
C J V Fleming*	70	45
L A Meyerowitz (Resigned 30 June 2006)	35	45
G A Nelson*	75	57
J M Ngobeni (Resigned 30 June 2006)	35	45
W C Ross* (Resigned 30 June 2006)	40	57
Y Omar (Appointed 30 June 2006)	35*	–
Executive		
N F J Haasbroek* (Chief Executive Officer) (Appointed 30 June 2006)	40	–
L Norval (Appointed 30 June 2006)	35*	–
S J Wentzel (Appointed 21 February 2007)	7	–
Total	616	418

* Fees accrued to the corporate entity where the director is employed.
***** Member of Audit Committee.
* Resignation as executive director on 30 June 2006.

Audit committee

The audit committee comprises Messrs Berkeley (Chairman) and Sewell (both non-executive directors) and Mr Haasbroek (CEO). All are financially literate. Formal terms of reference have been established and the audit committee conducted its affairs in compliance with its constitution. The mandate of the committee provides the Board with assurance regarding reliability of information used by the directors in their assessment of the Fund's financial position and risk management. It also sets out its responsibilities with respect to the appointment of the Fund's auditors, the financial statements and the evaluation of the effectiveness of systems of internal control and corporate governance. The external auditors, who also attend the audit committee meetings, are responsible for reporting on whether the financial statements are fairly presented in conformity with International Financial Reporting Standards (IFRS).

The committee meets at least every six months, prior to the finalisation of results for each reporting period.

Investment Committee

The management company has established an investment committee to recommend and advise the Board on acquisitions, sales and new development proposals. The committee meets as often as is required.

Remuneration Committee

The committee, when required, comprises of the Chairman, the Chief Executive Officer and two independent directors and is responsible for determining the remuneration of the directors of the management company.

Internal Controls

Parkdev (Pty) Ltd and the four companies appointed to administer and manage the property portfolio, are responsible for the maintenance of adequate accounting records, internal control systems and for safeguarding the assets of Sycom Property Fund and Sycom Property Fund Managers Limited.

management company's report

for the year ended 31 March 2007 (continued)

Directors' Responsibility

The directors acknowledge their responsibility for the adequacy of accounting records, the effectiveness of risk management and the internal control environment, the appropriateness of accounting policies supported by reasonable and prudent judgments, and the consistency of estimates. The directors further acknowledge their responsibility for the preparation of the annual financial statements, adherence to applicable accounting standards and presentation of related information that fairly presents the state of affairs and the results of the Company and the Fund.

The directors acknowledge their responsibility for ensuring that the financial statements fairly present the financial position and operating results of the company. The financial statements have been compiled by management in terms of International Financial Reporting Standards and are supported, where appropriate, by reasonable and prudent judgements and estimates.

The directors also acknowledge their responsibility for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Communication

The Chief Executive Officer regularly communicates with major unitholders, institutional investors and investment analysts. Financial results are published in the press and sent to unitholders.

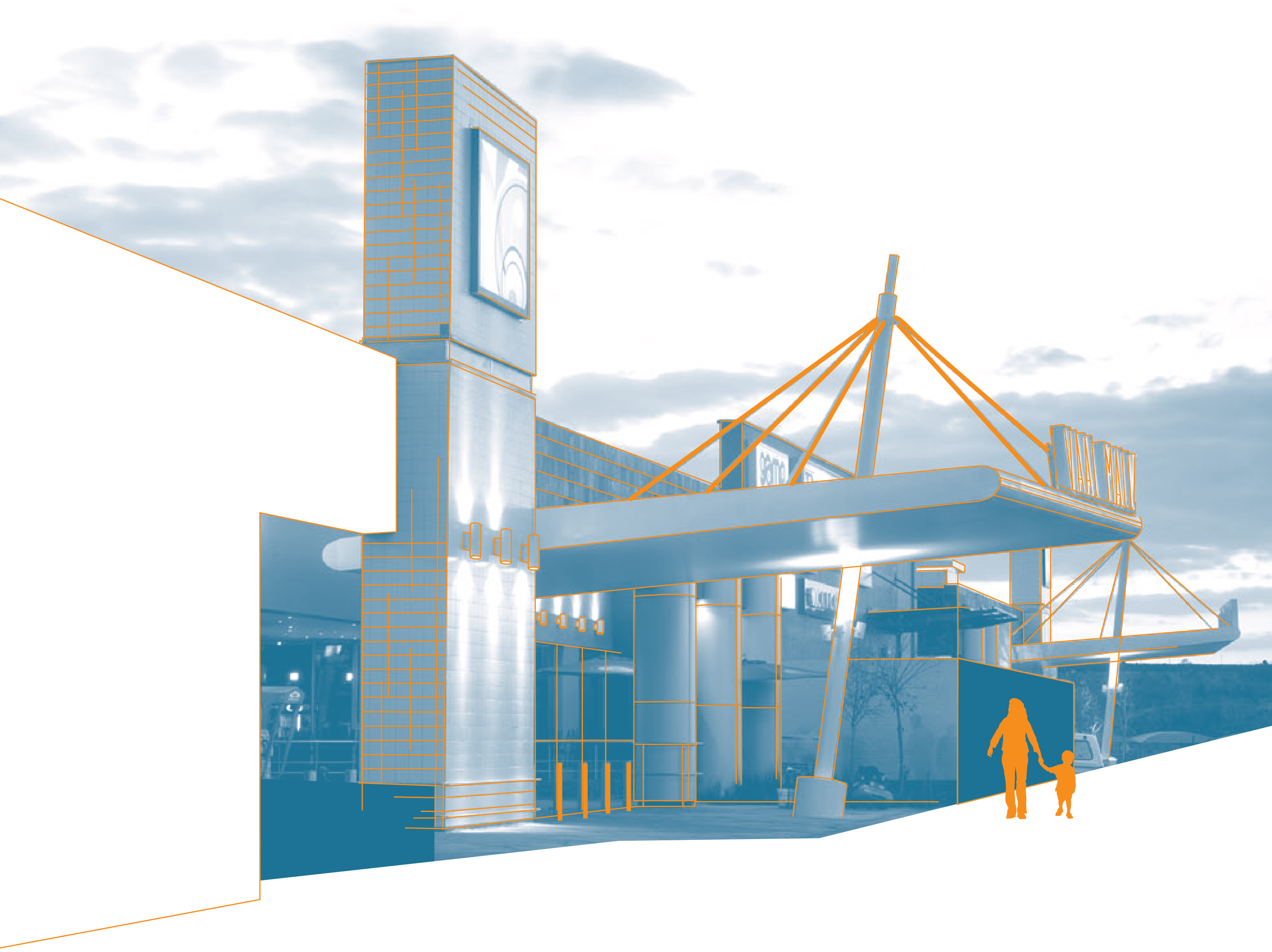
The annual report deals adequately with disclosures pertaining to financial statements, auditors' responsibility, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going concern issues and adherence to codes of governance.

vaal mall

Regional shopping centre

Location
Vanderbijlpark

Area
48 328m²



independent auditor's report

We have audited the annual financial statements and the group annual financial statements of Sycom Property Fund, which comprise the balance sheets as at 31 March 2007, the income statements and the statements of changes in unitholders' capital and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 36.

Directors' Responsibility for the Financial Statements

The directors of Sycom Properties Fund Managers Limited, the managers of the Fund and its subsidiaries, are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the Collective Investment Schemes Control Act, 2002. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual financial statements and group annual financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements and group annual financial statement present fairly, in all material respects, the financial position of the Fund and of the group as at 31 March 2007, and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the Collective Investment Schemes Control Act, 2002.

Deloitte & Touche

Deloitte & Touche
Per B G Joubert

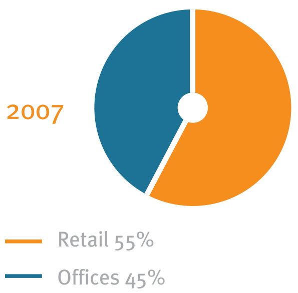
Partner
29 June 2007

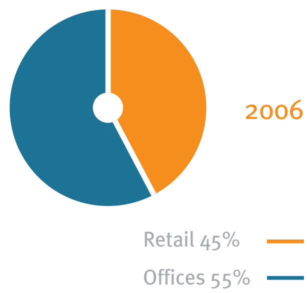
salient features

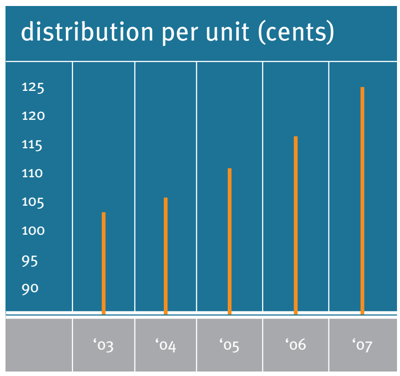
Group financial summary

	12 months to March 2007	12 months to March 2006	12 months to March 2005	12 months to March 2004	15 months to March 2003 (annualised)
	R'm	R'm	R'm	R'm	R'm
Headline earnings	279.6	237.6	181.4	175.1	166.9
Distribution prepayment received	–	–	–	6.2	–
Straight-line rental income accrual	(46.4)	(23.9)	(12.4)	–	–
Transfer (to) / from non-distributable reserve	(4.7)	–	26.1	8.0	–
Transfer from / (to) reserves	–	–	34.4	14.9	(0.3)
Distributions	228.5	213.7	203.4	196.2	166.6
Distribution per unit (cents)	124.62	116.53	110.93	107.02	103.62
Weighted average number of units in issue during the period ('000)	183 356	183 356	183 356	177 342	160 529
Growth in distribution (%)	6.9%	5.1%	3.7%	3.3%	0.5%

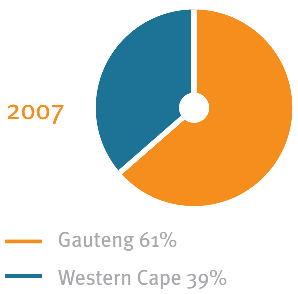
Gross property income by sector:
for the year ended 31 March 2007

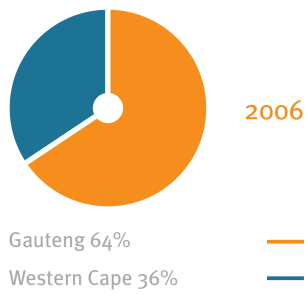






Gross property income by locality:
for the year ended 31 March 2007



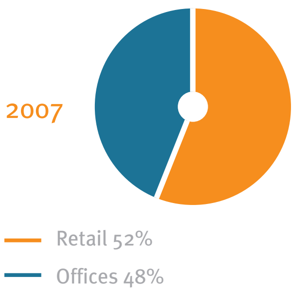


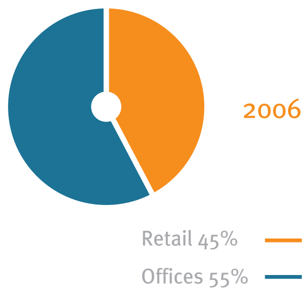
salient features
(continued)

Occupancy levels
at 31 March 2007

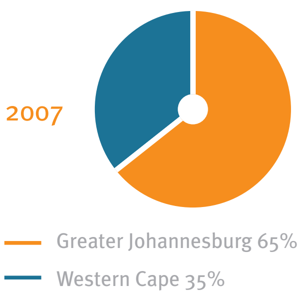
Sector	2007 m²	% of area	2006 m²	% of area
Retail	151 028	99	121 662	99
Offices	139 551	99	149 999	99
Total	290 579	99	271 661	99

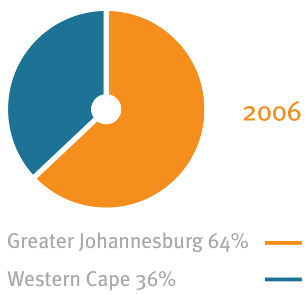
Lettable area by sector:
for the year ended 31 March 2007

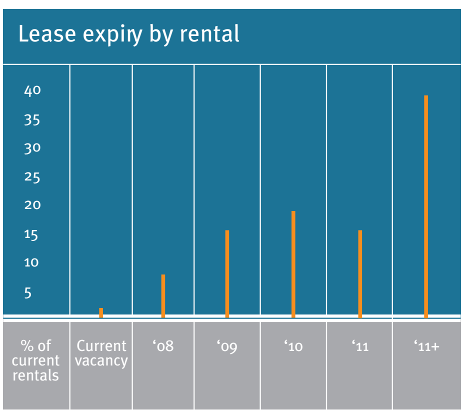


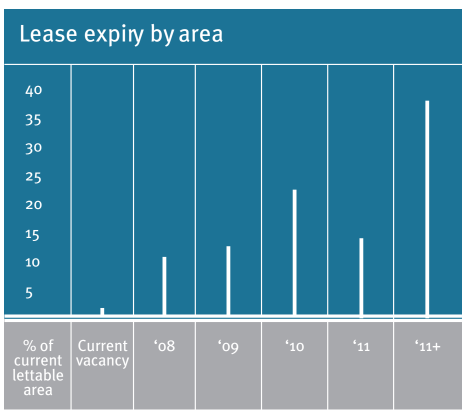


Lettable area by locality:
for the year ended 31 March 2007









income statements

for the year ended 31 March 2007

Fund 2007	Fund 2006		Notes	Group 2007	Group 2006
R'000	R'000			R'000	R'000
		Revenue			
293 757	251 924	Rental income		392 498	310 547
70 733	46 005	Dividends from subsidiaries		–	–
(13 186)	1 111	Straight-line rental income accrual		46 366	23 880
351 304	299 040	Total revenue		438 864	334 427
		Expenditure			
823	866	Administrative expenses		823	866
717	782	Auditors' remuneration		870	874
7 753	5 075	Property management fees		10 048	6 284
70 001	58 963	Property expenses		95 921	70 535
19 012	16 750	Service charge		19 012	16 750
98 306	82 436	Total expenditure		126 674	95 309
252 998	**216 604**	**Net property income**		**312 190**	**239 118**
37 688	1 828	Net finance cost	3	37 327	1 573
215 310	**214 776**	**Net income before fair value adjustments**	**4**	**274 863**	**237 545**
		Fair value adjustments			
–	(703)	Realised deficit on disposal of investment in subsidiary		–	(703)
29 253	(656)	Realised surplus / (deficit) on disposal of investment property		29 253	(656)
4 764	–	Unrealised surplus on revaluation of interest rate swap		4 764	–
13 186	(1 111)	Straight-line rental income accrual		(46 366)	(23 880)
509 760	301 866	Unrealised surplus on revaluation of investment property		509 760	405 590
772 273	**514 172**	**Net income before taxation**		**772 274**	**617 896**
–	–	Taxation	5	13 239	–
772 273	**514 172**	**Earnings**		**759 035**	**617 896**
543 776	300 507	Transfer to non-distributable reserve		530 538	404 231
228 497	**213 665**	**Distributable earnings**	**6**	**228 497**	**213 665**
		Earnings per unit (cents)		**413.97**	**336.99**
		Distributable earnings per unit (cents)		**124.62**	**116.53**
		Number of units in issue		**183 356**	**183 356**

balance sheets

as at 31 March 2007

Fund 2007 R'000	Fund 2006 R'000		Notes	Group 2007 R'000	Group 2006 R'000
		ASSETS			
		Non-current assets			
3 480 037	2 017 630	Investment property	8	3 480 037	2 721 341
–	64 231	Investment property under development	9	–	261 348
32 304	708 063	Investment in subsidiaries	10	–	–
3 512 341	2 789 924	Total non-current assets		3 480 037	2 982 689
		Current assets			
15 156	9 827	Rental and other receivables		20 589	28 506
4 764	–	Other financial assets	12	4 764	–
29 437	30 040	Dividend receivable		–	–
108 031	84 148	Cash and bank balances		108 031	84 148
157 388	124 015	Total current assets		133 384	112 654
3 669 729	**2 913 939**	**Total assets**		**3 613 421**	**3 095 343**
		UNITHOLDERS' FUNDS AND LIABILITIES			
		Unitholders' funds			
1 281 486	1 281 486	Unitholders' capital	11	1 281 486	1 281 486
1 484 396	940 620	Non-distributable reserves		1 632 536	1 101 998
2 765 882	2 222 106	Total capital and reserves		2 914 022	2 383 484
		Non-current liabilities			
529 298	541 501	Unsecured borrowings	12	529 298	541 501
529 298	541 501	Total non-current liabilities		529 298	541 501
		Current liabilities			
59 940	19 892	Trade and other payables		37 277	57 484
–	–	Taxation payable	13	13 239	–
119 585	112 874	Unitholders for distribution		119 585	112 874
195 024	17 566	Loans from subsidiaries	14	–	–
374 549	150 332	Total current liabilities		170 101	170 358
903 847	691 833	Total liabilities		699 399	711 859
3 669 729	**2 913 939**	**Total unitholders' funds and liabilities**		**3 613 421**	**3 095 343**

statements of changes in unitholders' funds

for the year ended 31 March 2007

	Capital	Non-distributable reserve	Retained earnings	Total
	R'000	R'000	R'000	R'000
GROUP				
Balance at 1 April 2005	1 281 486	697 767	–	1 979 253
Earnings	–	–	617 896	617 896
Transfer to non-distributable reserve	–	404 231	(404 231)	–
Unitholders distribution	–	–	(213 665)	(213 665)
Balance at 31 March 2006	**1 281 486**	**1 101 998**	**–**	**2 383 484**
Earnings	–	–	759 035	759 035
Transfer to non-distributable reserve	–	530 538	(530 538)	–
Unitholders distribution	–	–	(228 497)	(228 497)
Balance at 31 March 2007	**1 281 486**	**1 632 536**	**–**	**2 914 022**
FUND				
Balance at 1 April 2005	1 281 486	640 113	–	1 921 599
Earnings	–	–	514 172	514 172
Transfer to non-distributable reserve	–	300 507	(300 507)	–
Unitholders distribution	–	–	(213 665)	(213 665)
Balance at 31 March 2006	**1 281 486**	**940 620**	**–**	**2 222 106**
Earnings	–	–	772 273	772 273
Transfer to non-distributable reserve	–	543 776	(543 776)	–
Unitholders distribution	–	–	(228 497)	(228 497)
Balance at 31 March 2007	**1 281 486**	**1 484 396**	**–**	**2 765 882**

cash flow statements

as at 31 March 2007

Fund 2007	Fund 2006		Notes	Group 2007	Group 2006
R'000	R'000			R'000	R'000
1 088 446	203 149	**Cash generated from operating activities**	15	286 149	231 543
10 160	27 419	Interest received	3	10 521	5 586
(49 122)	(29 247)	Interest paid	3	(49 122)	(29 248)
71 336	21 816	Dividend received	16	–	–
(221 786)	(205 011)	Distribution paid	17	(221 786)	(205 011)
–	–	Taxation paid	18	–	–
899 034	18 126	Net cash generated from operating activities		25 762	2 870
		Cash flows from investing activities			
–	(294 502)	Additions to investment in subsidiaries		–	–
(931 482)	–	Transfer properties from subsidiaries		–	–
125 116	30 900	Proceeds on sale of investment property		185 748	30 900
(56 582)	(70 366)	Additions to investment property and development property		(175 424)	(349 614)
(862 948)	(333 968)	Net cash inflow / (outflow) from investing activities		10 324	(318 714)
		Cash flows from financing activities			
(12 203)	363 326	(Decrease) / increase in borrowings		(12 203)	363 326
(12 203)	363 326	Net cash (outflow) / inflow from financing activities		(12 203)	363 326
23 883	47 484	Net increase in cash and cash equivalents		23 883	47 482
84 148	36 664	Cash and cash equivalents at beginning of the year		84 148	36 666
108 031	**84 148**	**Cash and cash equivalents at end of the year**	**19**	**108 031**	**84 148**

notes to the financial statements

for the year ended 31 March 2007

1. General information

Sycom Property Fund was incorporated in 1986 under the laws applicable in South Africa. The addresses of its registered office and principal place of business are disclosed on page 56.

2. Significant accounting policies

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of the South African Companies Act of 1973 and the requirements of the Collective Investment Schemes Control Act of 2002.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

The accounting policies applied are consistent with those applied in the prior year.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiary companies. The results of the subsidiary companies are consolidated from effective date of achieving control until the date that control ceases. The assets and liabilities of the subsidiary companies are recognised at their fair values at the date of acquisition.

Where the Fund has an undivided share in a property, the Fund accounts for only its portion of the income expenses, property valuation and other net assets.

2.4 Revenue recognition

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease. This income source comprises operating lease income and operating lease recoveries from investment properties.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.5 Tenant procurement costs

Tenant installations and letting commissions are written off over the period of the applicable lease. The deferred portion of tenant installations and letting commissions are included in receivables.

2.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or refurbishment of qualifying assets are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Taxation

The charge for current capital gains taxation is the amount of capital gains payable in respect of the realisation of investment properties. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases and calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax liabilities are raised on all taxable temporary differences and deferred tax assets are raised to the extent that these will be utilised.

2.8 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a

notes to the financial statements

for the year ended 31 March 2007 (continued)

party to the contractual provisions of the instrument. Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Cash and cash equivalents are stated at fair value.

Receivables

Trade and other receivables are classified as originated by the Group and are reflected at amortised cost. An estimate is made for doubtful debts based on a review of outstanding amounts at year end.

Payables

Payables are stated at amortised cost. Due to the short-term nature of the payables, the cost approximates its fair value.

Financial liabilities

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to the initial recognition, they are measured at amortised cost using the effective interest rate method.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Group 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.

2.9 Investment property

Investment property

Investment properties are held to earn rental income and for the subsequent capital appreciation.

The cost of the investment properties comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment properties is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and valuers use either the discounted cash flow method or the capitalisation of net income method. Gains or losses arising from changes in fair value and disposals of investment property are included in the net income for the year in which they arise and are transferred to the non-distributable reserve as they are not available for distribution.

Investment property under development

Land and buildings are initially recognised at cost where the Group participated in their development and subsequently, at fair value. On completion of the development, the property is reclassified as an investment property.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure for the development qualifying as acquisition costs, are capitalised.

2.10 Investment in subsidiaries

The investment in subsidiaries is recognised at the lower of cost or cost less impairment.

2.11 Segmental reporting

On a primary basis, the operations are organised into two segments – retail and offices.

2.12 Key judgements and the use of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on

notes to the financial statements

for the year ended 31 March 2007 (continued)

historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ form these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Investment property values are based on estimated future net cash inflows.

2.13 Adoption of new and revised Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee in the current year that are relevant to its operations and effective for annual reporting periods commencing on 1 January 2006. The adoption of these new and revised Standards did not significantly effect the accounting policies or the results reported in the prior year.

At the date of authorising these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 8 *Operating segments*
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- AC 503 *Accounting for Black Economic Empowerment ("BEE") transactions*
- IFRIC 11 *Group and Treasury Share Transactions: Guidance on applying IFRS 2*
- IFRIC 12 *Service Concession Arrangements Defined*

The Group is currently evaluating the impact of the above but does not expect any significant effect on the financial statements.

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007 R'000	Fund 2006 R'000		Group 2007 R'000	Group 2006 R'000
		3. Net finance cost		
		Interest received		
10 160	5 330	from tenants and favourable bank balances	10 521	5 586
–	22 089	from subsidiary companies	–	–
		Interest paid		
(49 122)	(29 247)	Interest on unsecured borrowings	(49 122)	(29 248)
1 274	–	Less: amounts capitalised to investment property	1 274	22 089
(37 688)	(1 828)		(37 327)	(1 573)
		4. Net income before fair value adjustments		
		Net operating income for the year is arrived at after taking into account the following items:		
797	782	Auditors remuneration – Current year	950	874
(80)	–	Auditors remuneration – Prior year over provision	(80)	–
1 193	283	Bad debts	3 793	106
133	86	Legal fees	140	130
261	260	Trustee fees	261	260
		5. Taxation		
		The Fund is treated as a trust for taxation purposes and no liability for taxation arises on its net income for the year to the extent that it is distributed by the Fund.		
		South African normal taxation		
		Capital gains taxation	13 239	–
		Taxation rate reconciliation:		
		Standard and effective rate of South African normal taxation	29.00%	29.00%
		Exempt income	(37.09%)	(35.19%)
		Disallowed expenditure	8.09%	6.19%
		Capital gains taxation	1.71%	–
		Effective tax rate	1.71%	–
		6. Headline earnings		
		Reconciliation of distributable earnings to headline earnings:		
228 497	213 665	Distributable earnings	228 497	213 665
(13 186)	1 111	Straight-line rental adjustment	46 366	23 880
4 764	–	Unrealised surplus on interest rate swap	4 764	–
220 075	214 776	Headline earnings	279 627	237 545
		Headline earnings per unit	152.5	129.6

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007	Fund 2006		Group 2007	Group 2006
R'000	R'000		R'000	R'000
		7. Distributions		
		No. 41 of 54.97 cents per unit	–	100 791
		No. 42 of 61.56 cents per unit	–	112 874
		No. 43 of 59.40 cents per unit	108 913	–
		No. 44 of 65.22 cents per unit	119 584	–
			228 497	213 665
		8. Investment property		
2 017 630	1 710 540	Balance at 1 April	2 721 341	1 874 514
3 070	14 824	Additions through subsequent expenditure	16 920	22 572
931 482	–	Transfer from subsidiary companies	–	–
111 192	–	Transfer from development property	385 647	428 265
–	(9 600)	Transfer to development property	–	(9 600)
(93 097)	–	Disposals	(153 631)	–
(13 186)	1 111	Straight-line rental adjustment	46 366	23 880
522 946	300 755	Revaluation increase	463 394	381 710
3 480 037	2 017 630	Balance at 31 March	3 480 037	2 721 341
		The balance at 31 March comprises the following:		
2 194 243	1 225 483	Historical Cost	2 194 243	2 075 551
93 157	106 343	Straight-line rental adjustment	178 752	132 386
1 192 637	685 804	Revaluation	1 107 042	513 404
3 480 037	2 017 630	Total	3 480 037	2 721 341
		The fair value of investment property at 31 March 2007 has been arrived at on the basis of a valuation carried out by Rode & Associates CC and by Dube & Richardson Property Consultants (Pty) Ltd; both are members of the South African Institute of Valuers. The valuations were based on the discounted cash flow method using an appropriate discount rate. In the prior year the investment properties, other than Southgate Mall and Southgate Value Market were valued on the capitalisation of net income method. The change in method did not result in a material adjustment. A schedule of investment properties is set out on page 37.		

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007 R'000	Fund 2006 R'000		Group 2007 R'000	Group 2006 R'000
		9. Investment property under development		
64 231	–	Balance at 1 April	261 348	314 981
46 961	54 631	Additions through subsequent expenditure	124 299	365 032
–	9 600	Transfer from investment property	–	9 600
(111 192)	–	Transfer to investment property	(385 647)	(428 265)
–	64 231	Balance at 31 March	–	261 348
		10. Investment in subsidiaries		
		Unlisted investment		
(1 219)	(1 219)	Fairy Glen Properties (Pty) Ltd	–	–
9 121	9 121	Sycom Properties (Pty) Ltd	–	–
23 375	23 375	Uppark (Pty) Ltd	–	–
		Dormant investment		
–	–	Centre South Properties (Pty) Ltd	–	–
10	10	Fourways Crossing Retail Centre (Pty) Ltd	–	–
1 017	1 017	Paulshof Twenty Six (Pty) Ltd	–	–
32 304	32 304		–	–
		All investments in subsidiaries are wholly-owned by the Fund and registered in the Republic of South Africa.		
		Loans to subsidiary companies		
–	146 478	Fairy Glen Properties (Pty) Ltd	–	–
–	(10)	Fourways Crossing Retail Centre (Pty) Ltd	–	–
–	(987)	Paulshof Twenty Six (Pty) Ltd	–	–
–	363 843	Sycom Properties (Pty) Ltd	–	–
–	166 435	Uppark (Pty) Ltd	–	–
–	675 759		–	–
32 304	708 063	Total investment in subsidiaries	–	–
		11. Unitholders' capital		
		Issued units		
1 281 486	1 281 486	183 356 839 units	1 281 486	1 281 486
		(2005: 183 356 839 units)		
		The capital of the fund is governed by the Trust Deed which can be viewed upon request at the registered office. There has been no change in the issued units during the year under review.		

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007 R'000	Fund 2006 R'000					Group 2007 R'000	Group 2006 R'000
		12. Unsecured borrowings					
529 298	541 501	Bank loan facility				529 298	541 501
		The loan with Nedbank Limited is repayable in full on 25 November 2014 and bears interest at the prime overdraft rate as applicable in South Africa less the rebate of 2.4% and is payable monthly in arrears. At year end the approved facility was R650 million. This balance represents a related party due to representation on the board. The Group hedges a portion of the loans via an interest rate swap exchanging variable rate interest for fixed rate interest. The weighted average effective interest rate on the loan is 9.87% per annum. The interest rate swaps are detailed below:					
		Maturity	Amount (R'000)	Interest rate	% of borrow-ings		
2 460	–	1 June 2011	100 000	7.97%	18.9%	2 460	–
2 304	–	1 June 2009	100 000	7.86%	18.9%	2 304	–
4 764	–		200 000	7.92%	37.8%	4 764	–
		13. Taxation payable					
		The Fund is exempt from Capital Gains Taxation under section 67A of the 8th Schedule. The exemption is limited to the Fund, therefore all disposals form subsidiaries are taxed at the normal companies tax rate in South Africa which is 29%. The movement for the year in the taxation position was as follows:					
–	–	Balance at beginning of the year				–	–
–	–	Release on transfer of properties to the Fund				13 239	–
–	–	Balance at end of the year				13 239	–
		14. Loans from subsidiaries					
(60 348)	532	Fairy Glen Properties (Pty) Ltd				–	–
(10)	–	Fourways Crossing Retail Centre (Pty) Ltd				–	–
(804)	397	Paulshof Twenty Six (Pty) Ltd				–	–
(69 543)	(7 454)	Sycom Properties (Pty) Ltd				–	–
(64 319)	(11 041)	Uppark (Pty) Ltd				–	–
(195 024)	(17 566)					–	–

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007 R'000	Fund 2006 R'000		Group 2007 R'000	Group 2006 R'000
		15. Cash generated from operating activities		
772 273	514 172	Net income before taxation	772 274	617 896
		Adjusted for:		
38 962	1 828	Net finance cost	38 601	23 662
(70 733)	(46 005)	Dividend income	–	–
(543 777)	(300 507)	Surplus on fair value adjustments of investments	(543 776)	(404 231)
196 725	169 488	Operating profit before working capital changes	267 099	237 327
		Change in working capital:		
(5 329)	5 471	Decrease / (increase) in rent and other receivables	7 917	23 358
43 833	(9 184)	Increase / (decrease) in trade and other payables	11 133	(29 142)
853 217	37 374	Increase in loan accounts	–	–
1 088 446	203 149	Cash generated from operating activities	286 149	231 543
		16. Dividend received		
30 040	5 851	Amount receivable at beginning of the year	–	–
70 733	46 005	Dividend declared by subsidiaries	–	–
(29 437)	(30 040)	Amount receivable at end of the year	–	–
71 336	21 816		–	–
		17. Distribution paid		
(112 874)	(104 220)	Amount payable at beginning of the year	(112 874)	(104 220)
(228 497)	(213 665)	Charged to retained income	(228 497)	(213 665)
119 585	112 874	Amount payable at end of the year	119 585	112 874
(221 786)	(205 011)		(221 786)	(205 011)
		18. Taxation paid		
–	–	Amount payable at beginning of the year	–	–
–	–	Charged to the income statement	13 239	–
–	–	Amount payable at end of the year	(13 239)	–
–	–		–	–
		19. Cash and cash equivalents		
17 108	4 727	Deposits at bank	17 108	4 727
90 923	79 421	Deposits in access facility	90 923	79 421
108 031	84 148		108 031	84 148

notes to the financial statements

for the year ended 31 March 2007 (continued)

	Retail	Office	Fund	Total
	R'000	R'000	R'000	R'000
20. Group segmental information				
20. 1. Group operational segments				
2007				
Revenue				
Rental income	210 693	181 805	–	392 498
Straight-line rental income accrual	32 515	13 851	–	46 366
Total revenue	243 208	195 656	–	438 864
Expenditure	(58 340)	(48 209)	(20 125)	(126 674)
Net finance cost	768	583	(38 678)	(37 327)
Net operating income	185 636	148 030	(58 803)	274 863
Fair value adjustments				497 411
Taxation				(13 239)
Earnings				759 035
Assets				
Investment property	1 892 528	1408 757	–	3 301 285
Straight-line rental income accrual	80 612	98 140	–	178 752
Current assets	9 370	11 107	112 907	133 384
	1 982 510	1 518 004	112 907	3 613 421
Liabilities				
Unsecured borrowings	–	–	(529 298)	(529 298)
Current liabilities	(14 746)	(23 499)	(131 856)	(170 101)
	(14 746)	(23 499)	(661 154)	(699 399)
Net assets	1 967 764	1 494 505	(548 247)	2 914 022

notes to the financial statements

for the year ended 31 March 2007 (continued)

	Retail R'000	Office R'000	Fund R'000	Total R'000
2006				
Revenue				
Rental income	140 722	169 825	–	310 547
Straight-line rental income accrual	9 417	14 463	–	23 880
Total revenue	150 139	184 288	–	334 427
Expenditure	(37 193)	(40 212)	(17 904)	(95 309)
Net finance cost	592	534	(2 699)	(1 573)
Net operating income	113 538	144 610	(20 603)	237 545
Fair value adjustments				380 351
Earnings				617 896
Assets				
Investment property	1 332 383	1 256 572	–	2 588 955
Investment property under construction	232 260	29 088	–	261 348
Straight-line rental income accrual	48 097	84 289	–	132 386
Current assets	2 940	20 688	89 026	112 654
	1 615 680	1 390 637	89 026	3 095 343
Liabilities				
Unsecured borrowings	–	–	(541 501)	(541 501)
Current liabilities	(36 809)	(5 440)	(128 109)	(170 358)
	(36 809)	(5 440)	(669 610)	(711 859)
Net assets	1 578 871	1 385 197	(580 584)	2 383 484

20.2. Geographical segments

	Gauteng	Western Cape	Fund	Total
2007				
Operating income	212 069	121 597	(58 803)	274 863
Net assets	2 051 443	1 410 826	(548 247)	2 914 022
2006				
Operating income	158 869	99 279	(20 603)	237 545
Net assets	1 731 617	1 234 648	(582 779)	2 383 484

notes to the financial statements

for the year ended 31 March 2007 (continued)

21. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions between the Group and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Identity of the related parties with whom material transactions have occurred

The management company of the Group is Sycom Property Fund Managers Limited that appointed certain parties to manage and administer the affairs of the investment property and subsidiaries. Management and capital project fees paid for the year are indicated below.

Material related party transactions	Types of related party transactions	March 2007	March 2006
		R'm	R'm
Akhona-Broll Properties (Pty) Ltd	Property Management	0.233	0.090
Broll Property Group (Pty) Ltd	Property Management	2.335	3.772
Grapnel Property Managers (Pty) Ltd	Property Management	1.120	3.730
Grapnel Group (Pty) Ltd	Asset Management	1.655	2.879
JHI Property Services (Pty) Ltd	Property Management	–	0.169
Marriott Property Services (Pty) Ltd	Property Management	0.883	1.281
Nedbank Limited	Net Interest paid	39.611	24.788
Parkdev (Pty) Ltd	Property Management	6.311	–
Sycom Property Fund Managers (Pty) Ltd	Asset Management	19.012	16.750

Nedbank Limited provides the unsecured interest bearing borrowings and is represented on the Board of Directors of Sycom Property Fund Managers Limited.

22. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, unsecured borrowings from banks, accounts receivable, accounts payable and loans to wholly owned subsidiary companies. The carrying book value of the instruments mentioned before approximates fair value.

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

Credit risk management

Credit risk consists mainly of tenant debtors from a widespread tenant base. Continuous attention is paid to the financial position of the tenants. At year end management did not consider there to be any material risk exposure. Provision is made for impairment where necessary.

Guarantees issued on behalf of the Group reduce the available unsecured borrowings. The facility is reviewed regularly to meet capital commitment requirements.

Cash resources are handled and invested at reputable financial institutions.

Liquidity Risk

Cash resources are monitored to meet working capital requirements. Surplus cash is applied on an access basis against long-term interest bearing liabilities.

Interest rate risk

Interest rate risk is limited to the unsecured borrowings from Nedbank Limited. The risk is further reduced by the use of various financing arrangements, detailed under note 12.

notes to the financial statements

for the year ended 31 March 2007 (continued)

Fund 2007 R'000	Fund 2006 R'000		Group 2007 R'000	Group 2006 R'000
		23. Capital Commitments		
		Commitments in respect of capital expenditure to be incurred in the ensuing year.		
235 986	43 172	Contracted	235 986	108 311
		The commitment is to be funded from unsecured borrowings of R62.4 million and the issue of units amounting to R173.6 million.		
		24. Operating lease payments receivable		
		At balance sheet date the Group had contracted with tenants for the following future minimum lease payments:		
341 218	200 586	Within one year	341 218	294 293
948 160	479 629	In the second year to fifth year	948 160	886 420
485 697	110 677	More than five years	485 697	412 171
1 775 075	790 892		1 775 075	1 592 884

25. Contingent liabilities

The Group has guaranteed the contractual income of certain properties sold in previous years in favour of the purchaser amounting to R0,5 million (2005: R1,5 million).

A guarantee of R75 million was issued on the Group's behalf, by Nedbank Limited for the acquisition of an additional 11,29 percent in Vaal Mall. Units will be issued to finance the purchase price upon transfer.

The deregistering of dormant companies would potentially attract secondary taxation on companies under current legislation.

26. Post balance sheet events

The Group has taken transfer of an additional 15,57 percent in the Vaal Mall in May 2007. The purchase price was funded with the issuing of 5 063 109 units at a price of R19,30 per unit.

The sale of Arivia.com building was concluded at a selling price of R97 million and the transfer has not been effected on the date of issuing this report. The proceeds from the sale will be utilised to reduce unsecured borrowings.

notes to the financial statements

for the year ended 31 March 2007 (continued)

	Balance as previously stated	Adjust- ment	Balance as restated
	R'000	R'000	R'000
27. Prior year adjustment – group			
The prior year balances for revaluation reserve and payables have been adjusted due to an over accrual of capital expenditure relating to the development of Paarl Mall in the 2006 year. There has been no change to the investment property valuation or the Group's distributable income. The effect of this change is as follows:			
Income statement 2006:			
Unrealised surplus on revaluation of investment properties	386 404	19 186	405 590
Net income before taxation	598 710	19 186	617 896
Transfer to non distributable reserve	385 045	19 186	404 231
Earnings per unit	326.53		336.99
Balance sheet 2006:			
Non-distributable reserve	1 082 812	19 186	1 101 998
Trade and other payables	76 670	(19 186)	57 484
Corresponding restatements effecting the above were made to the statement of changes in unitholders' funds, the cash flow statement, note 8 – Investment property, note 9 – Investment property under development, note 15 – Cash generated from operating activities and note 20 – Group segmental information.			

property portfolio

at 31 March 2007

Name	Location	Description	Area	Date of acquisition	Cost at 31 March 2007	Valuation at 31 March 2007
			m^2		R'000	R'000
Gauteng						
Advocates' Chambers	Protea Place, Sandton	Offices	7 143	31/03/2003	56 226	76 366
Arivia.Kom Business Park	Leeukop Road, Sunninghill	Offices	7 619	31/03/2003	48 228	73 695
Fourways Crossing Retail Centre(1)	William Nicol, Fourways	Shopping Centre	47 790(8)	31/03/2003	131 995	340 574
Discovery Building	Fredman Drive, Sandton	Offices	22 526	31/01/2007	236 542	267 792
Georgian Crescent	Georgian Crescent, Bryanston	Offices	6 312	31/03/2003	41 808	66 189
Harrowdene Office Park	Woodmead, Sandton	Office park	36 418	01/10/2004	240 010	356 504
Riverwoods Office Park	Civin Drive, Bedfordview	Office park	10 649	31/03/2003	41 172	70 513
Southgate Mall(2)	Rifle Range Road, Mondeor	Regional shopping centre	69 650(8)	31/03/2003	70 550	153 849
Southgate Value Market(3)	Rifle Range Road, Mondeor	Value market	19 206(8)	31/03/2003	6 404	14 378
The Woodlands(4)	Woodmead Drive, Woodmead	Office park	84 484(8)	01/07/2003	177 834	376 917
Vaal Mall(5)	Vanderbijlpark	Regional shopping centre	48 328(8)	31/01/2007	213 922	262 967
Western Cape						
N1 City Mall(6)	Louwtjie Rothman Street, Goodwood	Regional shopping centre	63 364(8)	31/03/2003	158 422	280 442
Paarl Mall(7)	Paarl	Regional shopping centre	36 500(8)	31/01/2007	265 975	297 052
SHG Building	Foreshore, Cape Town	Offices	17 880	31/01/2007	215 043	218 922
Somerset Mall(1)	Cnr N2 & R44 Highways, Somerset West	Regional shopping centre	65 030(8)	31/03/2003	290 112	623 876
Total					2 194 243	3 480 036

Notes

Ownership comprises an undivided share in the property as stated:

(1) 50 percent share
(2) 16,6 per cent share
(3) 16 percent share
(4) 40 percent share
(5) 51 percent share
(6) 42 percent share
(7) 70 percent share
(8) Total area

tenant profile

at 31 March 2007

	% Total Gross Income	% Let Area
Ackermans Pep Group	3.0	3.3
Arivia.com	2.3	2.9
Boogertman & Partners	1.0	1.1
Deloitte & Touche	11.2	4.6
Discovery	5.8	7.8
Edcon Group	5.4	9.1
Foschini Group	5.9	4.8
Garden Chambers Administration	1.3	1.0
Hatch Africa	5.7	5.3
Masstores	3.1	2.9
Mr Price Group	5.0	4.4
New Clicks Group	1.3	1.2
Pick & Pay	5.2	10.3
Shoprite	2.1	2.3
Edward Nathan Sonnenberg	3.0	3.6
Wooltru Group	2.7	2.5
	64.0	67.1

weighted average rental per square metre

at 31 March 2007

	R/m^2
Retail	
Fourways Crossing	110.42
N1 City	91.70
Paarl Mall	135.28
Somerset Mall	154.08
Southgate Mall	117.49
Southgate Value Market	58.93
Vaal Mall	119.89

	R/m^2
Offices	
Multi tenanted buildings	
Harrowdene	88.18
Riverwoods	67.42
Woodlands	90.57
Single-tenanted buildings	98.59

discovery building

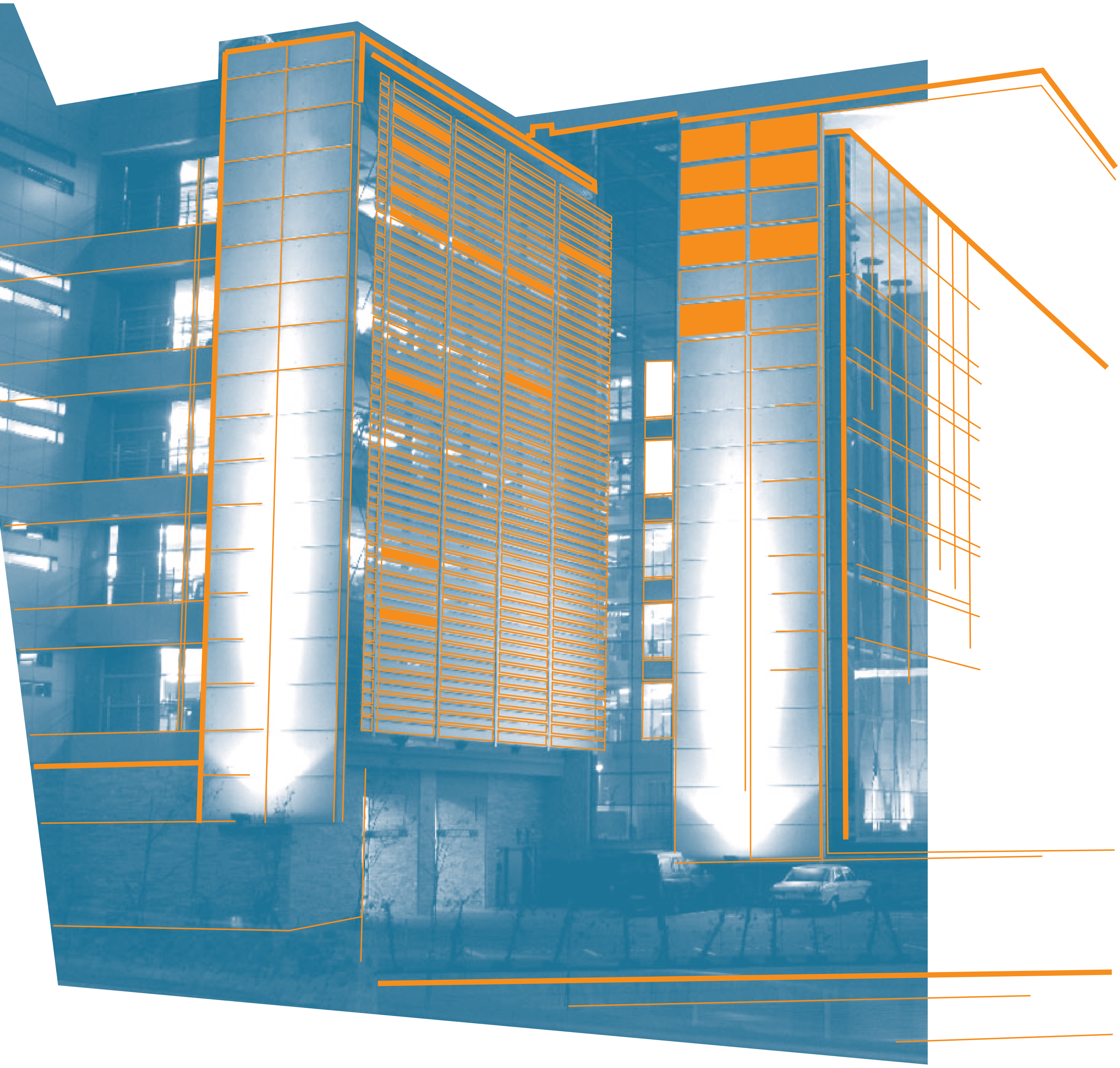
Offices

Location

Sandton

Area

22 526m^2



directors' report

for the year ended 31 March 2007

Operations

The company continues to manage Sycom Property Fund and earn fees for providing this service.

During the year 5 000 units were sold and the proceeds were declared as a dividend.

At 31 March 2007 the management company held 150 000 Sycom units (2006: 155 000) at a valuation of R3,1 million (2006: 3,0 million) from which it earns investment income.

Earnings and dividends

No net income was earned for the year under review (2006: Rnil) and no dividend was declared out of revenue profit.

Directorate

The directors and shareholders of the company at the date hereof are recorded elsewhere in this report.

T E Sewell
Chairman

N F J Haasbroek
Chief Executive Officer

Johannesburg
28 June 2007

independent auditor's report

We have audited the annual financial statements of Sycom Property Fund Managers Limited, which comprise the balance sheet as at 31 March 2007, the income statement and the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 51.

Directors' Responsibility for the Financial Statements

The companies are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual financial statements and group annual financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Per B G Joubert

Partner
29 June 2007

income statement

for the year ended 31 march 2007

	Notes	2007	2006
		R'000	R'000
Revenue			
Investment income from listed investment in units		185	173
Interest earned		16	18
Service fee from property fund		19 012	16 750
Total revenue		19 213	16 941
Expenditure			
Auditors remuneration – Audit fees		41	38
Directors' emoluments	3	616	418
Management fee		18 236	16 315
Other expenses		320	170
Total expenditure		19 213	16 941
Net income before taxation		–	–
Taxation	4	9	–
Net loss for the year		9	–

balance sheet

as at 31 March 2007

	Notes	2007	2006
		R'000	R'000
ASSETS			
Non-current assets			
Investment	5	3 105	2 984
Current assets			
Trade and other receivables		1 978	1 979
Cash and cash equivalents		257	91
Total current assets		2 235	2 070
Total assets		**5 340**	**5 054**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	880	880
Non-distributable reserve		2 031	1 933
Total capital and reserves		2 911	2 813
Non-current liabilities			
Deferred taxation	7	273	250
Current liabilities			
Trade and other payables		2 156	1 991
Total equity and liabilities		**5 340**	**5 054**

statement of changes in shareholders' equity

for the year ended 31 March 2007

	Share Capital	Non-distributable reserve	Retained earnings	Total
	R'000	R'000	R'000	R'000
Balance as at 1 April 2005	880	1 231	–	2 111
Earnings for the year	–	–	–	–
Surplus on the revaluation of investment in property fund	–	822	–	822
Deferred capital gains tax on revaluation of investment	–	(120)	–	(120)
Balance as at 31 March 2006	**880**	**1 933**	**–**	**2 813**
Net loss for the year	–	–	(9)	(9)
Current year surplus on the revaluation of investment in property fund	–	226	–	226
Current year deferred capital gains tax on revaluation of investment	–	(31)	–	(31)
Reversal of revaluation reserve on investment property sold	–	(6)	–	(6)
Capital gains tax on realisation of investment	–	(8)	–	(8)
Dividend paid	–	(74)	–	(74)
Secondary taxation paid	–	(9)	9	–
Balance as at 31 March 2007	**880**	**2 031**	**–**	**2 911**

cash flow statement

for the year ended 31 March 2007

	Notes	2007	2006
		R'000	R'000
Cash flow from operating activities			
Cash utilised in operations	8	(201)	(191)
Investment and interest income		201	191
Change in working capital	9	166	(332)
Dividend paid	10	(74)	–
Taxation paid	11	(16)	(57)
Net cash generated by / (used in) operating activities		76	(389)
Cash flow from investment activities			
Proceeds on disposal of investment		90	–
Net cash generated by investment activities		90	–
Net cash generated by / (used in) the current year		166	(389)
Cash and cash equivalent at beginning of the year		91	480
Cash and cash equivalent at end of the year		**257**	**91**

notes to the financial statements

for the year ended 31 March 2007

1. General information

Sycom Property Fund Managers Limited (the Company) is a limited company incorporated in South Africa. The address of the registered office and principal place of business are disclosed on page 56.

2. Significant accounting policies

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards.

Basis of preparation
The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

The accounting policies applied are consistent with those applied in the prior year.

2.1 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as follows:

Available-for-sale
The investment in Sycom Property Fund units is accounted for as an available-for-sale financial asset and is recognised at fair value which is its market value as listed by the Johannesburg Securities Exchange of South Africa (JSE). The gain and loss on revaluation of the investment is recognised directly in equity. On realisation of the investment, any cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value.

Cash and cash equivalents are stated at fair value.

Accounts receivable
Trade and other receivables are classified as originated by the company and are reflected at amortised cost. An estimate is made for doubtful debts based on a review of outstanding amounts at year end.

Accounts payable
Payables are considered to be short-term in nature and are measured at fair value.

Financial liabilities
Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Offset
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has an enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to release the asset and settle the liability simultaneously.

2.2. Revenue Recognition

Investment income
Investment income comprises distributions received form the Sycom Property Fund and is recognised when the shareholder right's to receive payment has been established.

Service fee
Service fee income from the Sycom Property Fund is brought to account in the period to which it relates.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

notes to the financial statements

for the year ended 31 March 2007 (continued)

2.3. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Capital gains taxation
The charge for current capital gains taxation is the amount of capital gains taxation payable in respect of the realisation of available-for-sale investments.

Deferred taxation
Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases and calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax liabilities are raised on all taxable temporary differences and deferred tax assets are raised to the extent that these will be utilised. The unrealised taxation on the revaluation of the investment is charged directly to the non-distributable reserve.

2.4. Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and reliable estimates can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.5. Minimum capital requirements

In terms of the Collective Investment Schemes Control Act, 2002, the company is required to maintain a minimum capital of R802 404 (2006: R809 359).

notes to the financial statements

for the year ended 31 March 2007 (continued)

	2007	2006
	R'000	R'000
3. Directors' emoluments		
Fees for services as directors		
Executive directors	157	102
Non-executive directors	459	316
	616	418
4. Taxation		
At the balance sheet date the company has estimated tax losses of R22 823 (2006 – estimated tax loss R22 923) available to be offset against future profits. Income tax is calculated at 29% of the taxable income for the year.		
No provision for normal company taxation has been made as a result of there being no taxable income.		
Secondary taxation on companies	9	–
The secondary taxation charge arose from the dividend of R74 188 paid at the rate of 12.5%.		
5. Investment		
Listed: 150 000 (2006: 155 000) units in Sycom Property Fund		
Balance at beginning of the year	2 984	2 162
Proceeds on disposal of investment	(90)	–
Loss on disposal of investment	(6)	–
Surplus on revaluation	217	822
Balance at end of the year	3 105	2 984
Market valuation	3 105	2 984
6. Share capital		
Authorised		
2 000 000 (2006: 2 000 000) ordinary shares of R1 each	2 000	2 000
Issued		
880 000 (2006: 880 000) ordinary shares of R1 each	880	880
7. Deferred taxation		
Deferred tax charge relating to the revaluation of the fixed investment in property fund units amounts to R31 537 (2006: R119 117) and has been charged directly to the non-distributable revaluation reserve.		
The movement for the year in the deferred taxation position was as follows:		
Balance at beginning of the year	250	130
Release on the sale of investment	(8)	–
Charge to the equity for the year	31	120
Balance at end of the year	273	250

notes to the financial statements

for the year ended 31 March 2007 (continued)

	2007 R'000	2006 R'000
8. Cash utilised in operations		
Income before taxation	–	–
Adjusted for:		
Investment and interest income	(201)	(191)
	(201)	(191)
9. Change in working capital		
Decrease / (increase) in receivables	1	(590)
Increase in payables	165	258
	166	(332)
10. Dividend paid		
Amount payable at beginning of the year	–	–
Dividend declared for the year	(74)	–
Amount payable at end of the year	–	–
	(74)	–
11. Taxation paid		
Amount payable at beginning of the year	–	(57)
CGT and STC for the year	(16)	–
Amount payable at end of the year	–	–
	(16)	(57)

shg building

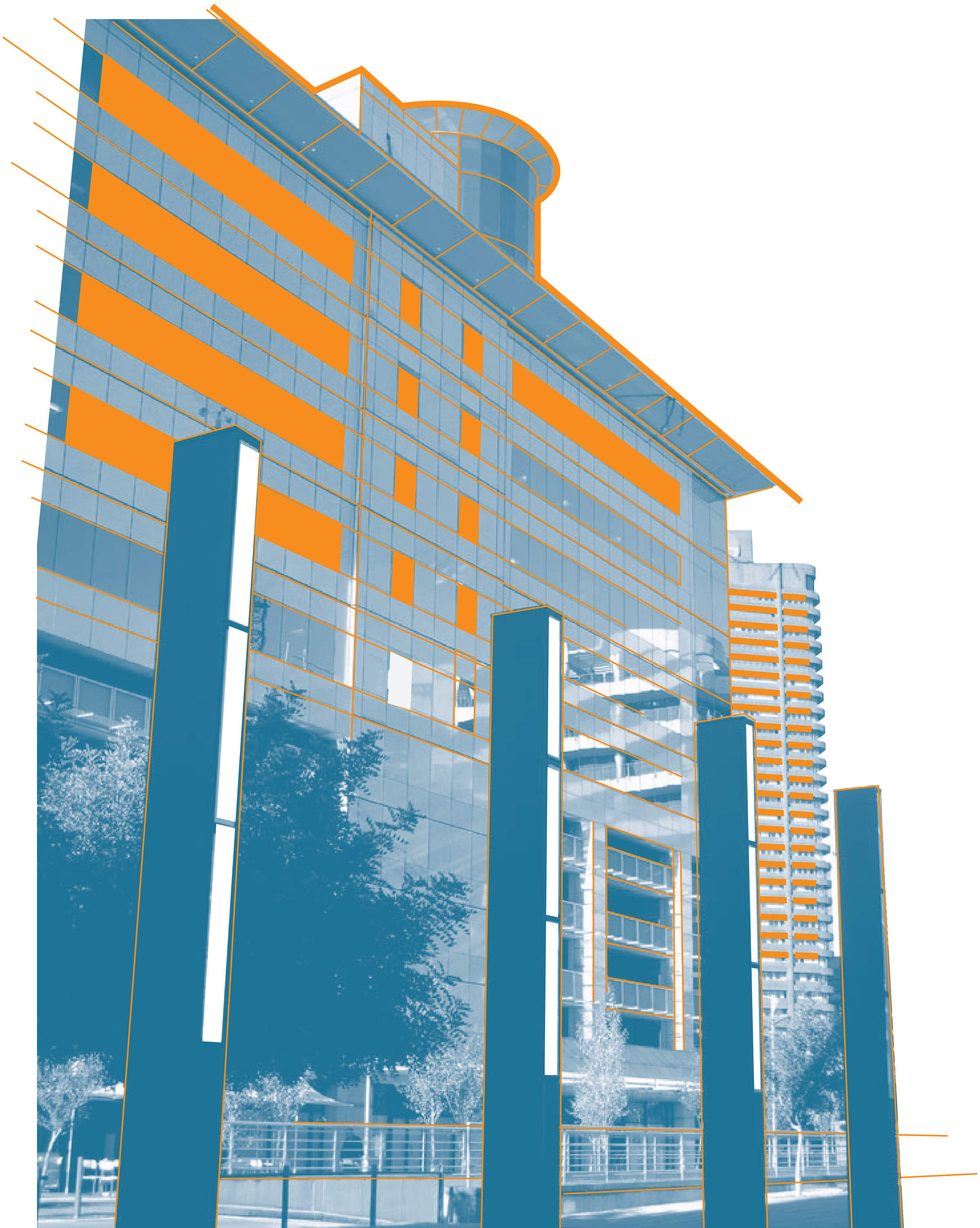
Offices

Location

Foreshore, Cape Town

Area

17 880m^2



notes to the financial statements

for the year ended 31 March 2007 (continued)

12. Related parties

Shareholders

The holding company of Sycom Property Fund Managers Limited is Grapnel Fund Managers (Proprietary) Limited, a wholly owned subsidiary of Parkdev (Proprietary) Limited. Parkdev (Proprietary) Limited acquired Grapnel Fund Managers (Proprietary) Limited on 30 June 2006.

Identity of the related parties with whom material transactions have occurred

The management company of Sycom Property Fund is Sycom Property Fund Managers Limited.

Types of related party transactions

A service fee of R19 million (2006: R16,7 million) has been received from Sycom Property Fund and administration fees of R4,8 million (2006: R16,3 million) have been paid to Grapnel Property Management (Proprietary) Limited for the three months ended on 30 June 2006 and R13,5 million (2006: nil) has been paid to Parkdev (Proprietary) Limited.

13. Financial risk management

The company's financial instruments consist of fixed investment in property fund units, deposits with banks, accounts receivable and accounts payable. The fixed investment in the Sycom Property Fund's units are carried at market value, accounts receivable and accounts payable are carried at book value which approximates fair value.

Liquidity risk management

Cash flows are regularly monitored to ensure that cash resources are adequate to meet funding requirements.

approval of the financial statements

for the year ended 31 March 2007

Sycom Property Fund and Sycom Property Fund Managers Limited

The financial statements which appear on pages 20 to 51 were approved by the Board of Directors on Thursday 22 June 2007 and are signed by the under mentioned directors.

T E Sewell
Chairman

N F J Haasbroek
Chief Executive Officer

Johannesburg
22 June 2007

certificate by the company secretary

for the year ended 31 March 2007

We hereby certify that for the year ended 31 March 2007, Sycom Property Managers Limited 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.

Parkdev (Pty) Ltd
Secretaries

Johannesburg
22 June 2007

report of the trustee

In terms of Section 70 (1) (F) of the Collective Investment Schemes Control Act, 2002

Sycom Property Fund

During the year ended 31 March 2007 under review the Fund was obliged to comply with the provisions of the Collective Investment Schemes Control Act, 2002

In as far as the Trustees have been exposed to the daily operation of the Fund with emphasis on financial integrity, we are able to confirm that the trustee is satisfied per the exposure that the Fund has complied with the provisions of the said Act.

ABSA Bank Limited
Trustee

Johannesburg
22 June 2007

analysis of unitholders

as at 31 March 2007

Unitholder Spread

Unitholder		Unitholders	Number of units	% Of issued capital
Non-public	directors and SPFM	7	1 785 755	1.0
	unitholders (holding more than 10%)	2	67 061 375	36.6
Public		2 225	114 509 109	62.5
		2 234	183 356 239	100.0

Major beneficial unitholders

Unitholder	Number of units	% Of issued capital
Attfund Ltd	42 000 000	22.9
Outward Investments (Pty) Ltd	25 061 375	13.7

Grouping of significant unitholders

Asset management group	Number of units	% Of issued capital
Old Mutual	16 439 980	9.0
Rand Merchant Bank	11 266 610	6.1
Stanlib	9 949 917	5.4
Coronation	7 831 082	4.3
BOE	6 850 408	3.7
Allan Gray	6 394 802	3.5

Interests of directors (where applicable) of Sycom Property Fund Managers Limited in units

	31 March 2007	31 March 2006
Beneficial interest		
T E Sewell	150 000	150 000
N F J Haasbroek	154 200	–
F M Berkeley	730 000	540 000
J P Flanagan	1 720	1 720
C J V Fleming	–	300
	1 035 920	692 020
Indirect – beneficial interest		
G A Nelson	350 000	350 000
C J V Fleming	249 835	222 036
LA Meyerowitz	–	5 400
	599 835	577 436
Indirect – non-beneficial interest		
LA Meyerowitz	–	112 900
	–	112 900
Total	1 635 755	1 382 356

review of price movements

for the year ended 31 March 2007

Month	High	Low	Closing	Trading Volume
2006	**cents**	**cents**	**cents**	**‘000**
April	1 935	1 830	1 930	4 949 178
May	1 950	1 820	1 900	15 039 437
June	1 920	1 475	1 520	22 180 804
July	1 600	1 470	1 568	7 861 365
August	1 700	1 485	1 660	2 918 104
September	1 661	1 530	1 620	4 246 904
October	1 725	1 560	1 700	3 730 296
November	1 875	1 710	1 840	2 533 319
December	1 850	1 745	1 800	2 996 862
2007				
January	1 920	1 900	1 910	1 886 406
February	2 037	2 000	2 037	5 449 012
March	2 070	2 000	2 070	5 910 601

unitholders’ diary

Financial year end	31 March
Announcement of results and declaration of distribution	
Interim	November
Final	May
Payment of distribution	
Interim	December
Final	June
Posting of annual report	July

directorate and administration

Sycom Property Fund Managers Limited

Registration number 1986/002756/06

Directors
T E Sewell (Chairman)*
N F J Haasbroek (Chief Operating Officer)*
F M Berkeley*
J P D Flanagan
C J V Fleming
G A Nelson
L Norval
Mrs Y Omar
Mrs S J Wentzel
* Member of the Audit Committee

Secretaries and Managers
Parkdev (Pty) Ltd
Glenfield Office Park
Cnr Genl Louis Botha and
Glenwood Road
Faerie Glen

Postal address
P O Box 39068
Faerie Glen
0043

Auditors
Deloitte & Touche
Waterkloof House
221 Waterkloof Road
Pretoria

Bankers
Nedbank Limited – Corporate Division
1st Floor – Corporate Place
135 Rivonia Road
Sandown, Sandton

Registered Office
Mertech Building
Glenfield Office Park
Cnr Genl Louis Botha and
Glenwood Road
Faerie Glen

Sycom Property Fund

Managers
Sycom Property Fund Managers Limited

Property Managers of the property portfolio
Parkdev (Pty) Ltd
Glenfield Office Park
Cnr Genl Louis Botha and
Glenwood Road
Faerie Glen

Marriott Property Services (Pty) Ltd
Marriott at Kingsmead
Kingsmead Office Park
Durban

Broll Property Group (Pty) Ltd
Broll House
27 Fricker Road
Illovo

Akhona-Broll Properties (Pty) Ltd
Broll House
27 Fricker Road
Illovo

Trustee
ABSA Bank Limited
2nd Floor Block E
Flora Park Office Block
Cnr Ontdekkers & Conrad Roads
Florida

Auditors
Deloitte & Touche

Bankers
Nedbank Limited

Sponsors
Nedbank Capital – Sponsor Unit
135 Rivonia Road
Sandown, Sandton

SYCOM

PROPERTY FUND