

3/ MANAGEMENT COMPANY'S REPORT

1. REVIEW OF RESULTS AND OPERATIONS

The board of Sycom Property Fund Managers Limited ('SPFM') reports a distribution of 79.49 cents per unit (cpu) for the six months ended 31 March 2011. Together with the interim distribution of 77.18 cpu, this gives unitholders an annual distribution of 156.67 cpu, in line with guidance provided in the interim results announcement of 17 November 2010. Although distributions were slightly lower than the prior year, the value of the property portfolio grew by a pleasing 8.4%, underlining the long-term quality of Sycom's assets. The fund was adversely affected by a cyclical rise in office vacancies, but as the office market improves and vacancies gradually reduce to more normalised levels, unitholders can expect Sycom to continue its long-term record of delivering real distribution growth on a cumulative basis.

Office market

The office market remained under pressure during the period under review, and as a result, a vacancy rate of over 10% persisted until the financial year end. The average vacancy rate for the year ended 31 March 2011 was 10.9%, compared with a much lower average vacancy of 8.2% for the previous year. The effect on distributions was a negative 2.5 cpu or 1.6%. The cyclical downturn in the office market also resulted in negative rental reversions on leases renewed, with average net rentals declining from R108.99/m² on expiry to R105.50/m² on average across the 27,664m² of renewals that took place in the year to 31 March 2011.

There are, however, positive signs that the office market is entering a recovery phase. The retention rate for leases that expired during the year was 90%, compared to 60% in the prior year. Towards the end of the current financial year, new leases for 4,960m² were concluded, although the tenants were not in

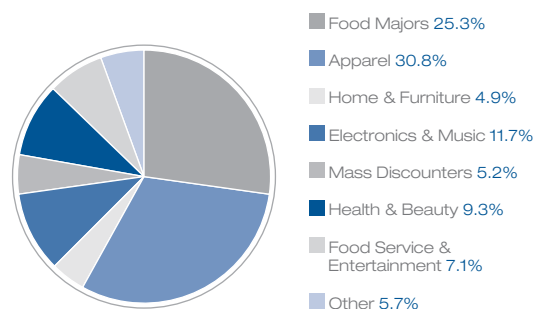
occupation and paying rent by the year end. The financial effects of these new deals will come through in the 2012 year. Subsequent to the year end, a further 6,113m² of leases were concluded, of which 5,365 m² were renewals.

Retail

Sycom's South African retail portfolio generated turnover growth of 6.5% for the year to 31 March 2011. Vaal Mall once again showed the strongest turnover growth at 8.7%, with Fourways Crossing at 6.3%, N1 City at 7.6%, Somerset Mall at 4.5% and Paarl Mall at 5.7%. Although the quarter ended 31 March 2011 reflected a slow-down in turnover growth to 3.6% compared with the same quarter last year, the month of April reversed this trend with an exceptional 13.3% growth in turnover.

Segmental contribution to retail turnover for the year is shown in the chart below. It reflects a combined contribution of 56.1% from supermarkets (food majors) and apparel, down from 57.5% last year, and indicates a slight shift in consumer spending to more durable goods.

Sycom's South African retail portfolio generated turnover growth of 6.52% for the year to 31 March 2011.

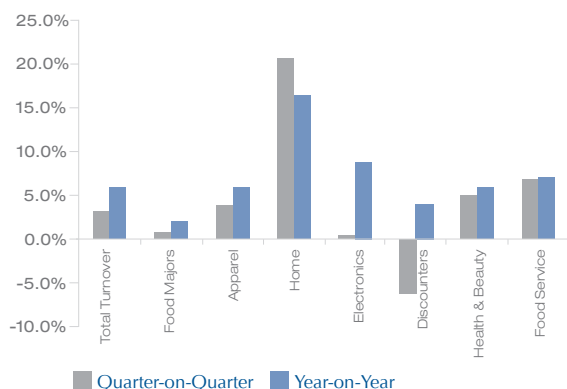


The homeware and electronics segments continued their resurgence, delivering growth rates over the prior year of 16% and 9% respectively. The apparel segment showed turnover growth of just under 7%, but supermarkets gave a more modest performance, with growth of 2.7% for the year, slowing to less than 1% for the last quarter, as shown in the chart overleaf.

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Retail Segments: Turnover Growth

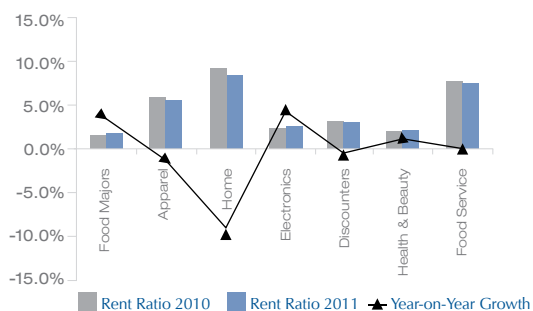
Quarter-on-Quarter & Year-on-Year to 31 March 2011



The major shift in the rent to turnover ratios was a positive change of nearly 10% for the homeware segment, showing that the growth in tenant turnovers exceeded the growth in their rentals paid. The ratios for food majors and electronics deteriorated slightly, but still remain comfortably within accepted norms for these segments. Overall, the picture emerging from the analysis of these ratios is that tenant turnovers are growing comfortably in line with rentals, and that rental affordability is therefore not under any threat.

Retail Segments Rent to Turnover Ratio & Growth

For the Year ended 31 March 2011



During the year under review, leases totalling 36,410m² terminated at an average rental of R129.81/m². Renewals were completed at an average rental of R132.48/m². The retail vacancy remained fairly constant in the year at approximately 1.7%. Expiries in the 2012 financial year will amount to 40,500m², terminating at an average rental of R147.80/m². These leases are expected to be renewed at an average rate of R156.30/m².

2. BORROWINGS

Sycom has an approved facility of R950 million. The facility is subject to renewal in November 2014. At 31 March 2011, R801 million of this facility had been utilised, with 62% of borrowings subject to interest rate swaps, as tabulated below. This level of interest rate hedging is in line with board policy. The weighted average borrowing cost is 8.2%. Sycom's gearing level is presently 13.8%. Including the effects of its investment in SESCOF, Sycom's 'see-through' gearing level is 20.3%, and the board would be comfortable to increasing the overall level of gearing to approximately 30%, subject to securing suitable acquisition opportunities.

| Type | Maturity Date | Effective Rate | Value R'000 | % of total |
|----------|---------------|----------------|-------------|---------------|
| SWAP | 1 June 2011 | 8.90% | 100 | 12.5% |
| SWAP | 1 June 2012 | 8.77% | 100 | 12.5% |
| SWAP | 17 Mar 2014 | 11.15% | 200 | 25.0% |
| SWAP | 9 April 2014 | 10.86% | 100 | 12.5% |
| | | | 500 | 62.4% |
| Floating | 25 Nov 2014 | 6.50% | 301 | 37.6% |
| | | 8.21% | 801 | 100.0% |

3. STENHAM EUROPEAN SHOPPING CENTRE FUND ('SESCF')

During the year, SESCOF was re-capitalised by its shareholders through a rights issue undertaken during September 2010. The funds raised were used to settle debt and reduce the gearing level. Sycom followed its rights, resulting in an additional investment of R91.5m in SESCOF. The rights issue was priced to yield 8%, and Sycom has subsequently entered into a Euribor-based cross currency swap for the amount of its additional investment. At year end, the all-in rate on the cross currency swap was 4%.

SESCF's sole investment is the 96,000m² Nova Eventis shopping centre in Leipzig. The centre has started to show signs of the improving retail climate in Germany, with low vacancies and stable rentals. With reduced gearing in SESCOF for the last quarter of the current financial year, the dividend received from SESCOF grew by just over 9% in Rand terms, even after taking into account a modest strengthening in the exchange value of the Rand against the Euro over the course of the year from March 2010.





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At 31 March 2011, Nova Eventis was independently valued by BulweinsGesa Valuation at €300m, down from last year's valuation of €339m. As a result, Sycom's investment in SESCOF has been impaired by R91.5m. Had Sycom not followed its rights under the rights issue referred to previously, the impairment would have been R156.8m, but there was an off-setting positive adjustment of R65.3m on the value of the shares acquired in terms of the rights issue, and this contained the net impairment to the R91.5m referred to above.

SESCOF has negotiated an option to extend its senior debt facility of €209m, due to expire on 18 July 2011, by one year to 18 July 2012, on the same credit margin as currently applies to the facility. The board of SESCOF has until 17 June 2011 to exercise this option.

4. FORWARD LEASE EXPIRIES

The forward lease expiry profile shows relatively high levels of renewal activity ahead in the 2012 financial year, principally due to the renewal of two large office tenants. Renewal discussions are already advanced with both of them. Vaal Mall also goes through a major renewal period in 2012, and expectations are for a meaningful upward rental reversion, as well as full tenant retention.

After 2012, lease expiries diminish substantially. The expiry profile by Rental Income is shown below:

| | Vacancy | Mar 2012 | Mar 2013 | Mar 2014 | Mar 2015 | Mar 2016 | There-after |
|----------|---------|----------|----------|----------|----------|----------|-------------|
| Retail | 1.2% | 14.6% | 7.7% | 8.9% | 4.3% | 8.6% | 5.2% |
| Offices | 4.5% | 17.8% | 3.5% | 5.5% | 5.6% | 1.3% | 11.3% |
| Combined | 5.7% | 32.4% | 11.1% | 14.4% | 9.9% | 9.9% | 16.5% |

5. VACANCIES AND BAD DEBTS

The table below provides details of Sycom's vacancies at March 2010 and March 2011, expressed by area.

| | Mar 2011 | Mar 2010 |
|----------------|----------|----------|
| Retail vacancy | 1.7% | 1.7% |
| Office vacancy | 11.7% | 10.2% |
| Total vacancy | 6.6% | 5.9% |

By rental income, Sycom's vacancies were 5.7% at 31 March 2011, with 4.5% of the total attributable to offices and 1.2% to retail assets. The board will continue to actively focus on new leasing deals to

reduce the office vacancy as quickly as possible, whilst maintaining its strategic emphasis on securing good quality lease covenants of longer duration.

The impairment provision at 31 March 2011 amounted to R2.2m compared to R4.9m at 31 March 2010, with the difference of R2.7m applied to write off bad debts. The bad debt and tenant arrears positions have stabilised and the board does not expect any abnormal provisions or write-offs to become necessary as the economic climate continues to slowly improve.

6. UNITHOLDER SUMMARY

Sycom's major unitholders at 31 March 2011 are shown below, with a comparison to the prior year.

| Major unitholders | | |
|-------------------|--------------|--------------|
| | 31-Mar-2011 | 31-Mar-2010 |
| Hyprop | 34.8% | 36.7% |
| Acucap | 19.8% | 18.3% |
| PIC (GEPF) | 6.0% | 4.2% |
| Attfund | 4.1% | - |
| Stanlib | 3.9% | 3.0% |
| Nedbank | 2.7% | 2.8% |
| Old Mutual | 2.7% | 2.6% |
| Redefine | - | 3.2% |
| | 74.0% | 70.8% |

7. PROSPECTS

The weak office cycle over the last 18 months, with rising vacancies, has led to a short-term setback in Sycom's growth, but as the recovery of the 'A' grade office market gathers momentum, the high office vacancy rate will start to reverse. Rising consumer spending will also support improved rental growth in Sycom's retail portfolio. Together, these factors will enhance Sycom's revenue base and return the Fund to solid distribution growth.

In addition, in terms of its strategy, Sycom continues to seek opportunities that will enhance shareholder value, including the expansion of retail assets that are performing well and have further bulk rights, by acquiring additional shares in co-owned assets as opportunities arise, and by acquiring good quality office and retail properties that offer sound long-term growth prospects.

The above information has not been reviewed or reported on by Sycom's auditors.



8. PAYMENT OF INTEREST

Notice is hereby given of the declaration of distribution number 52 in respect of the six months to 31 March 2011. The final distribution of 79.49 (seventy nine comma four nine) cents per unit has been approved in respect of the six month period ended 31 March 2011. The last date to trade the units *cum* distribution is Friday, 24 June 2011 and the record date will be Friday, 1 July 2011. The units will start trading ex-distribution from Monday 27 June 2011. Distributions will be made to unitholders on Monday 4 July 2011.

Unit certificates may not be dematerialised or rematerialised between Monday 27 June 2011 and Friday 1 July 2011, both days inclusive.

Corporate governance report

The Board of Directors of Sycom Property Fund Managers Limited endorses the Code of Corporate Practices and Conduct as recommended in the King III 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 Company does now have a majority of non-executive directors. The Board of Directors consists of three executive directors and five independent non-executive directors. The Fund is a trust and is managed by Sycom Property Fund Managers Limited in terms of the Collective

Investments Schemes Control Act, 2002. Neither the Fund nor the management company employs staff 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.

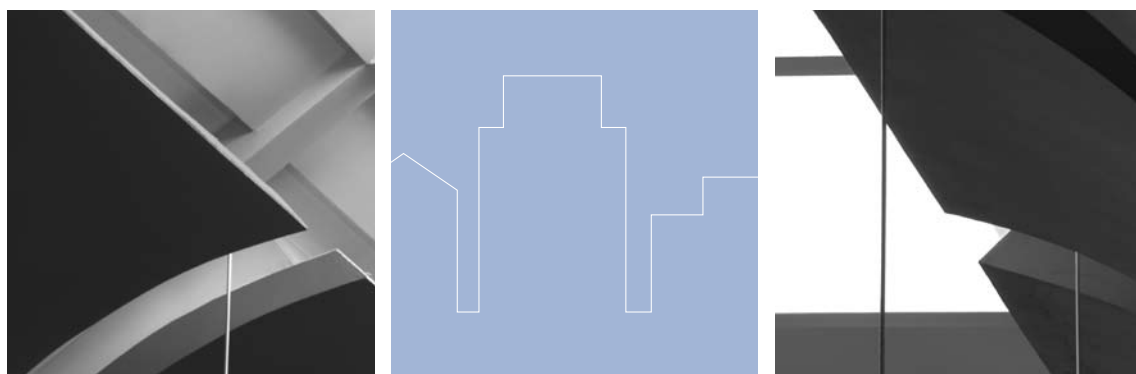
The board is conscious of the need to uphold and support applicable legislation. To this end, the board ensures that all occupational health and safety provisions are enforced at the buildings in the portfolio; environmental impact studies are undertaken where required and the provisions of the National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

The nominations policy of the Board of Directors formalises the process for appointments to the Sycom board, in line with the recommendations of the King Code of Corporate Practices and Conduct. Directors are appointed to hold office for an unspecified period. There is a clear division of responsibility at board level and the role of Chairman and CEO are separate. The attendance by directors of the management company for the period 4 June 2010 to 9 June 2011 is set out on the following page:



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| Director | Board | Audit Committee | Investment Committee | Meetings attended | Meetings eligible | % attendance |
|--|------------|-----------------|----------------------|-------------------|-------------------|--------------|
| Number of meetings | 4 | 3 | 1 | | | |
| Independent non-executive | | | | | | |
| GK Everingham (Chairman) | 4 | - | - | 4 | 4 | 100% |
| MS Moloko (Deputy chairman) | 3 | 3 | - | 6 | 7 | 86% |
| BM Stocks (Audit committee chairman) | 4 | 3 | - | 7 | 7 | 100% |
| JPD Flanagan (Investment committee chairman) | 4 | - | 1 | 5 | 5 | 100% |
| FM Berkeley | 4 | 3 | 1 | 8 | 8 | 100% |
| Executive | | | | | | |
| GR Jones | 3 | - | 1 | 4 | 5 | 80% |
| CB Marlow | 4 | - | - | 4 | 4 | 100% |
| PA Theodosiou | 4 | - | 1 | 5 | 5 | 100% |
| Overall attendance | 30 | 9 | 4 | 43 | 45 | |
| Maximum attendance | 32 | 9 | 4 | 45 | | |
| % attendance | 94% | 100% | 100% | 96% | | |



AUDIT AND RISK COMMITTEE

The audit and risk committee members are depicted opposite and are all financially literate. Formal terms of reference have been established and during the year it 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.

The audit and risk committee 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 and risk committee meetings, are responsible for reporting on whether the financial statements are fairly presented in conformity with International Financial Reporting Standards ("IFRS"). The audit and risk committee monitors the independence of the external auditors and are of the view that the external auditors are independent of the company and of the Fund. The audit and risk committee pre-approves contracts for non-audit services to be rendered by the external auditor. The audit and risk committee has assessed and noted that the financial director has the appropriate expertise and experience required for the position. The internal audit function is outsourced.

The audit and risk committee meets at least three times per year and comprises non-executive directors, one of whom acts as Chairman.

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 remuneration committee, when required, consists of the Chairman, the Chief Executive Officer and one independent director, and is responsible for determining the remuneration of the directors of the management company.

INTERNAL CONTROLS

Acucap Properties Limited and the three 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.

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, auditor's responsibility, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going concern issues and adherence to codes of governance.

